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United Nations: Tenth Anniversary

AT Opera House, San Francisco, the fifty founding members of the United Nations, together with the ten who acceded later, have met once again this week in an atmosphere of hope to commemorate the signing of the United Nations Charter ten years ago. In 1945, the men who assembled at San Francisco amidst the gloom of war-time devastation were eager for the dawn of a new era. In the ten years since, their wishes have not been adequately fulfilled. The Cold War among the Big Powers commenced shortly after and then, on the fifth anniversary of the United Nations, war broke out in Korea. Until a year ago, the prospects for peace in the world have never seemed bright. The turn for better in international relations is very recent and dates back only to the Geneva Conference of last year; optimism has so far been felt only for a fraction of this decade since the United Nations came into existence.

But hope springs eternal from the human breast and it has been possible for the sixty nations now assembled to feel once again that they are at the dawn of a new era of peaceful international relations. The world's statesmen who gathered at San Francisco, have now reaffirmed their faith in the principles of the Charter. But they now know from their own experience that the Charter by itself cannot go to work to ensure peace. Without an honest desire on the part of the members to observe the spirit of the Charter, the United Nations cannot be a success; for proof of the existence of that spirit we have to look elsewhere, not within the Articles of the Charter. At the moment men everywhere are anxiously pinning their hopes on the "Summit" talks at

Geneva to be held later this month; but so long as shooting war is kept away, there will always be something else to provide that source of hope.

That ten troubled years after their proclamation, the principles of the United Nations Charter should still be found to be not only acceptable but also unexceptionable is a glorious tribute to the lofty vision of its founders. In the difficult times which have followed, there have been frequent suggestions for revision which are still being put forward. Some amendments are indeed necessary and may have to come in due time but that is not the crux of the problem of the United Nations. Mr. V. K. Krishna Menon expressed a profound truth when he said that without Big Power agreement, no amendment would be possible and that when such agreement can be secured, amendments become superfluous. This is rather over-simplified but it emphasises the need for the right approach. The leaders of member Governments have shown, on the whole, that they are not the workmen who quarrel with their tools.

The outstanding contribution of the United Nations during these years of tension was that it provided a world forum—Mr Dulles has quoted Vandenburg's famous phrase "town meeting of the world"—which gradually acquired a strong moral influence. That is why the General Assembly has risen in stature while the Security Council, originally designed as a more powerful body, has taken a back place. A serious obstacle to the expansion of the General Assembly's role now arises from the difficulties about extending its membership. So long as the fourteen nations, who have waited long for admission, and the others who have yet to qualify for it are kept out, there will be a major flaw in the principle of universality of membership which will be a constant reproach on those who are responsible for the situation.

The conditions of membership of the Security Council are not less objectionable. The Council is based on interests rather than on the principles of equality; and even so, the virtual exclusion of China and the ineffectiveness of France has further imparted unreality to its proceedings and impaired the executive functions of the Council. It is, therefore, not merely abuse of the veto which has been responsible for its decline. If there had been no veto but only a rule of majority, the other inherent drawbacks due to faulty representation would have risen to the surface to make the United Nations a controversial institution. The existence of the veto was an essential condition for the coming together of major Powers in the United Nations and it is naive now to wish it had been away.

The imperfections of the United Nations are best seen in the ad hoc agencies and procedures which have been established to fulfil those needs of member nations which could have been better met within the Organisation itself. New groupings of nations have come into existence; some are merely found in the lobbies at Lake Success, but others are based on regional or historical links. The Commonwealth is an important force in world politics today, because of the opportunities available to it to supplement with the methods of quiet diplomacy, the [illegible] activities of the U.N. The meeting of [illegible] only an extension of [illegible] private diplomacy. [illegible] charged an additional role; it brought together many nations hitherto kept out of the world body for one reason or another. Similarly, the weakness of the Security Council in the discharge of its police functions has compelled the creation of regional defence systems which have greatly stretched the meaning of the appropriate provisions of the Charter. All these circumstances go to show that in an imperfect world, the United Nations could not become an all-embracing world organisation to regulate international relations. It had to be buttressed on all sides by other institutions.

In sum, the political achievement is not inconsiderable. The small nations have acquired confidence in the Assembly. In Iran, Greece, Indonesia and Korea dangers to peace have been tackled by reasonably prompt measures, in other areas, efforts at mediation have brought a halt to hostilities even if they have not provided permanent solutions. To this must be added the quiet achievements of the Economic and Social Council in its varied activities to promote material welfares and relieve distress. This experience has strengthened the capacity of the United Nations to undertake new responsibilities, whether in the field of disarmament or the peaceful uses of atomic energy or the improvement of living standards. The last ten years have proved that when men are brought constantly together, to discuss their differences as much as their problems, they tend to agree eventually in some form.

Here in India, public opinion has not uniformly approved the actual working of the Charter of the United Nations. There has been a legitimate grievance over the poor representation for Asia in the Security Council and the anomaly of the Formosan Government continuing to function as a permanent member. India has unsuccessfully canvassed the case for the admission of the Peking Government to the United Nations. On Kashmir, the Security Council, it is felt, hesitated to take a strong view of aggression, which it felt expedient and necessary in Korea. And on questions of racialism and colonial rule of backward areas the Indian standpoint has been on the whole ineffective against the Powers concerned. There was distrust of the Security Council's procedure on Kashmir. There has been dislike of the intense lobbying and Big-Power influence in voting in the General Assembly.

Against these shortcomings, however, there have been important gains. The United Nations has offered scope for distinguished Indians to play leading parts in international gatherings. The late Sir B. N. Rau earned a high reputation for himself and his country; Mrs Vijayalakshmi Pandit as President of the General Assembly and Mr Krishna Menon as India's delegate have played equally notable roles in the United Nations. By thus enlarging the scope for useful activity in spite of her being treated on a par with the smallest nation, India has been able to demonstrate that permanent membership does not mean much in practice, except for its usefulness in safeguarding special extra-national interests of certain Big Powers. With time, however, India has acquired the type of diplomacy suited to make the best of the United Nations while accepting its limitations. It is due partly to the realisation that in paying homage to immutable principles while making many necessary compromises in practice, the United Nations is not functioning very differently from India herself.

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The Deadline in the Viet Nam

AS July 20, the deadline for initiating talks on elections in Viet-Nam, approaches, a deepening shadow is falling across the existing prospects for eventual peace in Asia. Many anxious statements have already been made—the most anxious and urgent of all being Mr. Nehru's, at a press conference in Vienna on Monday. Mr. Nehru paid a tribute to the spirit of co-operation in the International Supervisory Commission in Indo-China, indicating that the source of the present trouble lies not in the composition of that body but in developments in Viet-Nam which have wildly confused the picture. Besides the question of elections, Mr. Nehru mentioned that the adherence of the three Indo-China States to major military alliances had further complicated the position. Here then is a problem which has defied the influence of the changing climate of international relations at high levels. The only outcome of the Geneva agreement has been the stoppage of the senseless slaughter of French troops. But in all other respects the situation seems much worse than before. It is certainly so in South Viet-Nam which the democratic world hoped to save from the worst consequences of the civil war.

It seems unlikely that the Geneva Summit talks, which will synchronise with the deadline for election talks would find a way out of this problem. But there is no need to assume that the Big Powers do not have the means to bring the parties round if they so desire. The Viet-Minh leader, Ho Chi-Minh, is now on a mission to Moscow via Peking. There is certainly significance in its timing, though larger issues of economic and other collaboration with the Communist Powers is said to be the objective of his mission. Haiphong has now been occupied and a majority of Viet-Nam's population numbering about 12 millions have now come under the rule of the Communists in the North as a result of the Geneva settlement. Will the possibility of these people being tutored and coerced to vote for the Viet-Minh—together with such votes as can be secured through propaganda from sympathizers in the southern areas—encourage the Communist leaders to agree to free elections under international supervision, under conditions which will also be acceptable to the South?

Considering the confused conditions in the South, it may pay the Communists to appear reasonable about the conditions for fair and free elections. The Government of India's influence has, in this case, been exerted strongly on the Communist Powers. The Nehru-Bulganin declaration has given a lead, so to say, to the Communists. It was indeed a round-about way in which the subject has come up in the Moscow talks between the two Prime Ministers; the declaration invokes the Soviet Union's joint Chairmanship at Geneva last year and India's Chairmanship of the International Commission as providing the close common interest of the two countries in the subject .The exhortation to the Governments concerned is unlikely to meet with resistance on the Communist side except that in practice many difficult situations can be created. This declaration at Moscow has been further reinforced by the Warsaw joint statement to the same effect, deploring the new difficulties that have arisen. Will obstacles then arise from the other side?

At the moment, there are some very uncomfortable features about the Government of South Viet-Nam. Premier Ngo Dinh Diem has been harassed by the insurrection of crazy political groups which enjoy no reputation either for integrity or patriotism. Their actions are believed to be inspired by French interests still operating in the country. This discreditable internecine struggle seems to be nearing its end but clearly it has not helped the Premier to extend his political influence or administrative control over a major portion of South Viet-Nam which is not under Communist influence. Dinh Diem has been carrying on at the same time a controversy with Paris demanding control over the army and de facto independent authority for his Government, revealing himself thereby as a fanatical nationalist. There is a probability that he would show similar fanaticism in his attitude to the elections. Though he enjoys the active encouragement and assistance of the United States authorities, it can very well be urged that the Premier is at the same time not amenable to Western influence, in the sense the Communist leaders are reputed to be subservient to Moscow.

Herein lies a serious danger. There is the risk that in obstinately sticking to the technical plea that neither the Government of Viet-Nam nor the U.S.A. was a party to the Geneva Agreement, its implementation would be resisted. The time lost thereby could be utilised for preparing for elections, so that when they are finally held, they do not enable an easy Communist walk-over. The alternative to an immediate agreement on elections would be the continuance permanently of two spheres, as in Korea, in which sources of future discord will be inherent. In other words, conditions might arise in which the operative portions of the Manila Treaty could be invoked on the grounds of subversion or threat of invasion, even if the internal unpopularity of Diem regime should be responsible.

Under the Geneva Agreement, France alone has the obligation to carry out the Geneva settlement, but French policies in Viet-Nam, especially in encouraging or in not controlling the dissident sects, has been shortsighted and has hardened Diem's opposition. Bao Dai has now been more fully revealed as impotent and it is perhaps a matter of time when he will be repudiated more completely than he has been. American influence on Diem has, therefore, become the vital element in the situation. Mr. Dulles has now expressed his faith that if there are conditions of really free elections there is no serious risk that Communists would win. "The Communists" he said, "have never yet won any free election. I don't think they ever will." The conditions of such freedom matter very much but the people of Viet-Nam must also find they have a stake in defending the southern regime.

The political foundations of the democratic half of Viet-Nam are yet feeble and it is clear they cannot be improved by military fortifications alone. That makes it odd that there should be a premium on defensive alliances even to the extent of endangering a settlement reached on the basis of the Geneva negotiations. It is possible to hold that conditions will not be ripe for free elections in view of the developments subsequent to the Geneva Conference. But the proper course then would be to negotiate afresh for postponement and not to avoid elections for reasons which will not appeal very much to Asian or world opinion.

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THE WEEK'S NOTES

TITO'S VISIT TO MOSCOW

THE ANNOUNCEMENT that Marshal Tito, has accepted an invitation to visit the Soviet Union, should be read in conjunction with a passage in the joint communique issued this week on the conclusion of talks between Yugoslavia and the United Kingdom, French, and United States Governments. This states: "The four Governments expressed their firm conviction that the existence of a strong and independent Yugoslavia, and continued co-operation between them under conditions of full equality, are a contribution to peace and stability." The fact that President Tito's acceptance of the invitation was made public after the issue of the four-Power communique sufficiently indicates that the visit is in conformity with the terms of the latter. That Marshal Tito should go to Moscow would be a logical sequel to the agreement reached between the Yugoslav and Soviet Governments in Belgrade "to take further steps towards normalization of their relations." That he will go as head of State of a "strong and independent Yugoslavia" will be in consonance with the attitude which the Marshal has consistently maintained.

It may further be recalled that the Yugoslav-Soviet communique of June 2 expressed agreement regarding "compliance with the principle of mutual respect for, and non-interference in, internal affairs for whatever reason, whether of an economic, political, or ideological nature, because the questions of internal organization, of different social systems, and of different forms of socialist development are solely the concern of the individual countries." This Soviet vindication of Titoism was an outstanding product of the Soviet-Yugoslav talks. On the four-Power exchanges of views in Belgrade, the communique states that the talks have taken place "in an atmosphere of cordiality and mutual confidence." The Soviet-Yugoslav communique said the talks "were conducted in a spirit of friendship and mutual understanding." It is noteworthy that whereas the Yugoslav-Soviet communique contained no reference to the Balkan pact, the four-Power communique states that the four Governments "consider that the fruitful co-operation being developed in all fields in the Balkan alliance is also an important contribution to peace and stability in this part of the world."

MALAYAN PEACE FEELER

POSTED IN a town in Siam by a representative of the "Malayan Racial Liberation Army Supreme Command H.Q." and addressed to the United Planters Association, a letter from the Malayan Communists demands the end of the eight-year war in the Federation, and a round-table conference of all political parties to discuss means of ending the emergency. "The emergency regulations must be abolished" says the letter, "and democratic freedom and the rights of the people must be safeguarded to enable a general election to be carried out in a peaceful and democratic atmosphere". The anthenticity of the letter has not been doubted by the Administration. It bears the date June 7, and the timing is certainly significant. Lieut-General Sir Geoffrey Bourne, the Malayan Director of Operations claims that the Communists have in fact been defeated while the party claims that they have not been vanquished.

The question is whether the Communists should be left to avail themselves of the terms of surrender offered to them—which some individual Communists have accepted already—or whether their demand for special conditions should be considered. There will be no disposition to offer special terms for those who have practised terrorism and are surrendering either from weakness or because the aims of international communism have for the present been modified. It is estimated that there are today only 3,500 terrorists compared with 8,000 in 1951 and desertions are reported to be increasing. It might be convenient now for the Communists to transfer their activities to the political front and spread confusion among the political parties but there is no obligation to accept their offer to participate in constitutional processes at times of their own choosing.

RISK GUARANTEE TO PRIVATE CAPITAL

THE PROPOSED scheme for a system of incentives for the outflow of American private capital into India is not quite new. The Randall Commission had considered it among other things and it has been reported that a number of countries have agreed to accept it. There is no particular defect in the proposal which should make it unacceptable to India and on the face of it the considerations which applied to the treaty of commerce navigation and friendship, do not enter here. The venture capital will flow only in those industries which the Government of India is ready to permit. The insurance will become effective only in case of loss of investment arising through the action of the Government concerned and in such cases the investor will be reimbursed by the U.S. Government, which the latter will recover them from the country of investment. The definition of the circumstances in which claims will become effective by the investor and the U.S. Government respectively may prove somewhat difficult.

The real question is whether the existing guarantees to foreign private investors are so inadequate as to need fresh measures. The Prime Minister was quite emphatic in his speeches on the Constitutional Amendment about compensation to foreign investment in the event of acquisition. The question may arise whether other regulatory legislation would attract the system of guarantee and full details would be needed to arrive at any definite conclusion on the subject. How much will such special guarantees enlarge the scope for foreign private capital into this country? The answer would vary. It is not possible to say that the dangers of expropriation or exchange inconvertibility are real in India so far as foreign capital is concerned, whatever be the position for local investors. It is also useful to quote an American view on this matter. Mr Clarence Randall, former Chairman of the President's Commission on Foreign Economic Policy had this to say "...it adds heavily to cost, since it is paid for like insurance. In practice the programme has not greatly stimulated private investment abroad. Most American companies seem to prefer to go it alone, taking their own risks in the traditional American way, and not looking to their Government for support."

ORDINANCE AND TRIBUNALS

THE PRINCIPLE of issuing Ordinances during a parliamentary recess, which was hotly agitated some time ago, is again involved in the two Ordinances issued this week. While the State Bank of India (Amendment) Ordinance meets a special situation arising out of the nationalisation of the Imperial Bank from July 1, the Industrial Disputes Appellate Tribunals (Amendment) Ordinance involves no such emergency. A press note claims that the step was necessitated by the large accumulation of certain applications with the Appellate Tribunal which has seriously interfered with the more important part of its work of hearing appeals. The accumulation could not have occurred sudden[illegible]

and the amendment of the procedure established by a law enacted by Parliament could well have been left to Parliament, if timely action had been taken.

Section 22 of the Appellate Tribunal Act 1950, provides that an employer should take the Tribunal's sanction for alteration in the conditions of service or discharge of an employer while a dispute is pending before the Tribunal or while there is time for filing appeal. Section 23 provides for a complaint to the Tribunal by an employee where an employer takes action without such sanction. In both cases, Parliament had specially provided that even these applications should be heard by the whole Tribunal, as if they were appeals. That was perhaps uncessary, because they could have been treated like interlocutory applications in civil appeals. The Ordinance now provides that the Chairman or any other authorised member may dispose of such applications sitting singly. It is also provided that such applications may be transferred to any of the industrial tribunals specified for the purpose by the Government; such industrial tribunals can dispose of them finally and there will be no right of appeal to the Appellate Tribunals from these decisions. To this extent, there has been a limitation of the appellate jurisdiction; but in practice, this would depend on the Chairman of the Appellate Tribunal who may or may not exercise the right of transfer of applications.

STRAIN OF THE STRIKE

WHEN SOME months ago, there was a prolonged newspaper strike in Britain and there was a blackout on important developments it was considered a very serious affair. Actually, however, it turned out that it was not felt as keenly as newspapermen in their vanity thought it would be. Similarly the U.K. railway strike which has now ended created a state of national emergency and its economic consequences have been greatly feared. There is less anxiety now on this matter. The cost is expected to be much less than expected. The coal industry did not it appears, suffer any interruption or dislocation in spite of its close dependence on rail transport. Some rail workers had also remained in their posts but there was a speedy shift to road transport and it is claimed that deliveries of coal were about four-fifths of normal and that the steel industry had worked at about 90 per cent of its capacity. Workers resorted to several kinds of make-shift arrangements for reaching their places of work.

A curious consequence of the strike is also the discovery of some traders of alternative and cheaper means of transport. In carrying fish from port towns to the centres of population, road transport has been found to be economical. It is true that export orders could not be fully honoured though in important cases air transport also was utilised. Manufacturing establishments could carry over some of their demand for transport by running down their stocks of raw materials. When they replenish their stocks, some additional demand would result. But there has been shown a great capacity for adaptation, for out of evil there comes some good.

The bad consequences of strikes cannot be minimised on that score. The final agreement in this case does not show that the strikers had gained their points while the strain of the strike has been severe on the entire nation.

TRIBALISM—BLACK AND WHITE

THE DOW COMMISSION on East Africa has presented its report after two years of investigation of the problems of land and living. The Commission has arrived at some bold conclusions, though this does not mean that they will be accepted and implemented. There is little new in the finding that the African peoples resist change; the Mau Mau represents a relapse into primitive ways. It is not Africans alone who regard "land-holding as the sole form of economic security." The preservation of the White Highlands represents an equally narrow outlook, the less excusable because it is held by more advanced people. "Tribal and...racial rigidities affecting land have...brought about a situation of increasing tension, the basis of which is fear. Those who occupy land fear that they may lose it or be deprived of it without proper compensation and with no opportunity to purchase other land in its place. Those who have no land fear that they may never be able to acquire it. Thus those who occupy land cling to it, irrespective of their ability to use it properly."

While there is no excuse for holding the two races at different levels of civilisation equally culpable in this manner, the Commission has done well to refuse to be rigidly bound by its terms of reference which precluded its taking into account existing obligations in relation to land at present reserved for the white races and other groups. Land policy should aim at the ownership of land by individuals and sufficient mobility in the transfer and disposition of land to promote its economic use. This seems obvious but the prospects for its implementation are dim; the Government would hardly be in a position to take the lead in such a revolutionary proposal which affects settlers' interests.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

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HOW HISTORY IS WRITTEN

BY

ODYSSEUS

THE GREAT CHANGES of history—the Mutiny of 1857 or the French Revolution of 1789—are brought about by the ideas that inspire men to action, and these changes then become watersheds of new ideas that influence the minds and actions of men for decades or centuries after they took place—as have the events of 1857 and 1789. Since ideas are so powerful, I suggested last week that it is of the first importance to ensure that they are based on facts, conscientiously ascertained and honestly interpreted. Today, I cite four versions of an episode of history and I hope to show how uncertain was the evidence on which these historians had to base their confident accounts and interpretations. That the episode may be examined more objectively and that whatever lessons it offers may be more readily accepted, I have chosen it from French rather than from Indian history.

An introductory observation: Consider the problem of historians such as W. H. Moreland and A. C. Chatterjee, who undertake to tell the whole story of India, beginning with Mohenjodaro, in one volume of 538 pages of approximately 400 words each, which works out to 43 words in which to narrate the events of each year! Yet to report the events of one single day, a newspaper like the "Hindustan Times" publishes 14 pages of which about 8, each with 8 columns of 800 words each, are devoted to reporting the news, i.e. a total of 51,200 words, the equivalent of 128 pages of Moreland and Chatterjee's book which covers 5,000 years! The historian's task cannot be that of a photographer. He must be a painter. It is clear that a painter cannot get the whole landscape on to his canvas; it is impossible to reproduce every rock and tree, still less the shadows and mosses on each rock or the tens of thousands of leaves on each tree. As L. B. Nemier says in his delightful "Avenues of History", to distinguish a tree you look at its general shape, bark, and leaf, but to count its leaves and measure its branches would get you nowhere. Similarly what matters in history is the great outline and the significant detail. What must be avoided is the deadly morass of irrelevant narrative.

Obviously then, before he begins to write, the historian must study what can be a virtually limitless amount of source material in order to decide what his outline will be and what significant details he will choose, and it follows that since he will not have use for more than perhaps the thousandth part of the sources that he studies, he is subject to the temptation of delving superficially, here and there, and has little inducement to penetrate below the surface, to widen and deepen his studies; it will save him time and trouble if, instead of checking the archives afresh, he accepts the versions of their contents that previous historians of the same subject have given.

All this suggests once more the extraordinary degree to which we are dependent on the historian's industry and integrity. Be it said to the credit of the profession that honest scholars abound in it. Even so, their number is greatly exceeded by the potboilers who put history together from "secondary sources", i.e., the published work of original researchers. The law of libel prevents me from naming names.

A FORGOTTEN REVOLUTION

The historical episode that I have chosen for analysis is the French Revolution of 1848. In that year, King Louis Philippe lost his throne following a rising in Paris between February 21 and 24th. This week we will see what the historians say happened and why they think it important, if they do. Next week we will compare this with the evidence of some contemporary witnesses.

I hasten to add that I am not suggesting that these particular historians are necessarily wrong in their assessments. Their accounts are in broad agreement and complement each other. What is, however, interesting, is the different amounts of space that each can, within the framework of the outline upon which he has decided, afford to devote to the episode and the different aspects on which each lays emphasis. You will perhaps grasp better one of the points that I am making if you try to imagine what impression of the events of February 21-24, 1848, you would have if you were to read only one book about them and that therefore each of my extracts is the sole and entire knowledge that you have of an event which "echoed round Europe". To play fair, I must disclose that in order to keep within my own allotted space, I have had to cut down some of the accounts cited; this, however, merely modifies the scale, but not the point, of my argument.

Let me sketch the background of 1848. My own assessment of such secondary sources as I have read suggests that this revolution decided the course of European history for the next thirty years and had even further repercussions. The abdication of the king, Louis Philippe, set off risings in Prussia, Italy, and the Austro-Hungarian empire. If the Liberals had achieved the unity of Germany in 1848, Bismark could not have laid the foundations of German imperialism, and there might have been no World War I and no Hitler. If Louis Philippe had not abdicated, Louis Napoleon Bonaparte could not have got himself elected president of the Second French Republic and thereafter have become that emperor of the French who lost the Franco-German war of 1870, thereby starting a chain of Franco-German enmity that has not yet been broken.

Professors A. J. Grant and H. Temperley in "Europe in the 19th and 20th Centuries", a book of 701 pages, sum up the momentous events of February 21-24 in 22 words: "The French Revolution of 1848 was the work of Paris alone, and of only a small part of the population of Paris". Bus hogia!

Chambers' Encyclopaedia says: "Throughout Guizot's Ministry the Opposition demanded electoral and parliamentary reforms... In 1847, the 'banquets' campaign was organised throughout France. The first was to take place in Paris on February 22, 1848. It was banned by Guizot. Barricades were set up in the centre of Paris and the National Guard shouted 'Vive la reforme!' A clash between soldiers and demonstrators led to a general rising. Louis Philippe taken completely by surprise...abdicated..." and then skips to the story of the Second French Republic.

EMERGENCE OF A LEGEND

H. A. L. Fisher in the 2,455 pages of his monumental three volumed "History of Europe" has space for no fewer than six pages on 1848, and he lists among its several causes one of direct interest to our discussion on the power of ideas: the emergence of the Napoleonic legend. "As the years proceeded, what was painful and ruinous in the policy of the great emperor (Napoleon) was forgotten. The grinding tyranny of the conscription, the destruction of the flower of French manhood, the foreign invasions, and the loss of territory, while poets, pamphleteers, and historians combined to decorate the wonderful epic of French victory which was recalled by the very sound of his name... While Beranger sang of his wars, and Victor Hugo celebrated his victories in the 'Ode a la Colonne', the memoirs and conversations of the exile at St Helena, being arranged with a view to the future of his dynasty, presented the Empire as a transitional fabric, designed to promote Liberalism and nationality, but ruined through the malice of the dynasts before it had been able to display the full measure of its beneficent quality. This view of the Empire, not as a despotic, but as a Liberal and democratic thing, steadily gained ground. The legend of the little Corporal, who, carving his own way to fortune, toppled over throne after throne, and then died a martyr to British tyranny in a wind-swept island in the Atlantic, built itself up with many affecting and pathetic circumstances in the heart of the people. When in 1840, the ashes of Napoleon were brought back to be buried in Paris the Second Empire was as good as made." Napoleon's nephew Louis, took advantage of this historical myth to stage a bonapartist come back and to create a second empire that collapsed in 1870.

In the course of the three pages that he can spare out of the 241 of his "Re-making of Modern Europe 1789-1878", J. A. R. Marriot says: "Louis Blanc preached Socialism to the masses, and from him the French artisan learnt of his 'right to work' at the hands of the state. It was this doctrine which supplied the driving power of the Revolution of 1848, and which was thus responsible for the overthrow of the Orleans monarchy...The immediate cause of the outbreak in Paris was the obstinate bungling of the Guizot Ministry in regard to a banquet which the Reformers had organised for February 22 to advertise and promote their objects. Interdicted by the government, it was abandoned by the Reformers, but the same day Barrot rose in the Chamber to propose the impeachment of the Ministry. In Paris, the temper of the mob was rising rapidly. Crowds were beginning to parade the streets; the familiar barricades were erected, only to be demolished by the troops. On the 23rd, Guizot's resignation was announced... But it was too late. Not even Barrot could control the mob. Several collisions had already taken place between the troops and the people; the corpses of fifty victims had been paraded through the streets; the National Guard had mutinied ..."

We noted earlier that these accounts complement rather than contradict each other. This could arise from four possible causes: all the writers (1) were of the same political outlook; (2) shared the same contemporary attitude towards the events in question; (3) had exhaustively investigated the original sources and reached the same conclusions, or (4) were all drawing on a common "secondary source", i.e. a predecessor who had claimed to have gone thoroughly over the originals and to have written the definitive work in 1848! Those familiar with these historians will know that (1) they have different political outlooks, and (2) all wrote in this century, long after 1848. There remain possibilities (3) and (4) which we will examine, together with some contemporary 1848 witnesses, next week.

Please be good enough to keep this issue of "the Eastern Economist" in some safe place so that you may compare what was said today with next week's evidence.

THE BIRLA JUTE MANUFACTURING CO., LIMITED.

NOTICE is hereby given that the Annual Ordinary General Meeting of the Shareholders of the Company will be held at the Principal Office of the Company, No. 8, Royal Exchange Place, Calcutta, on Wednesday, the 27th July, 1955, at 3-30 P.M. for the following purposes:

(1) To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended 31st March, 1955.

(2) To declare dividends on Preference and Ordinary Shares.

(3) To elect Directors in place of those retiring by rotation.

(4) To appoint Auditors and fix their remuneration.

(5) To transact any other business which may be brought before the Meeting with the permission of the Chairman.

The Share Transfer Books of the Company will remain closed from 18th July to 27th July, 1955 both days inclusive.

By Order of the Board,
CALCUTTA, BIRLA BROTHERS LTD.
Dated, 22nd June, 1955. Managing Agents.

In particular to: Smt. Grihya Kumari, Smt. Sarojini Devya, Mrs. Rubie Nanda, Messrs. Ambika Charan Neogy, Gopal Chandra Das, Burjoriji D. Mama, Andrew Gibb, Gayanath Saha and C. K. Mistri & Ors., Kedarmani A. Dikshit and E. E. F. Moseis.

NOTE: If Dividends on shares as recommended by the Directors are passed at the meeting, THE DIVIDENDS WILL BE PAYABLE ONLY TO THE REGISTERED SHAREHOLDERS, whose names are on the Company's Register on the 27th July 1955. No application need be sent for dividend as relative Transfer Deeds for Ordinary Shares of Soorah Jute Mills Co., Ltd., or fractional coupons will be posted to such shareholders by the 27th of August, 1955. On receipt of the Transfer Deeds duly signed by the shareholders and on completion of the transfer, the respective share certificates will be sent to them.

The shareholders are requested at once to notify any change of address.

BOOK REVIEWS

ECONOMIC DEVELOPMENT

Approaches to Economic Development: Authors: Norman S. Buchanan and Howard S. Ellis: The Twentieth Century Fund, New York: $5.00.

The literature on economic development, particularly of underdeveloped countries, has now become so voluminous and in parts so controversial, that the time is ripe for a substantial work of consolidation which brings the subject up-to-date. The Twentieth Century Fund in the United States is to be congratulated in having performed this task in a work which can justly claim to be the standard reference work in the growing and conflicting field. This book forms part of necessary reading for all those engaged in economic development in South-East Asia. Although written primarily from the American point of view with a frank admission that America's stake in the underdeveloped countries is political as well as economic and humanitarian, it is capable of direct application without any corrective for American bias. It is anti-Communist in purpose, but objective throughout, remarkably so in Chapter 10, which deals with Economic Development of the U.S.S.R.

Part I and II which deal respectively with "An Analytical view of the Problem" and "Economic Development as Recorded History" are essential preliminaries to the major argument of Part III, where the kernel of the book is to be found. Even more precisely, the kernel is to be found in Chapter 19 which treats of "A General View of Economic Development". This article deals with three propositions of major Indian interest contained in this exposition.

On page 407 is to be found a philosophy, of which adequate notice has not hitherto been taken. The authors state: "Merely providing more capital equipment from abroad or demonstrating superior techniques of production will not create an environment from which innovations are bound to appear, or in which the entrepreneureal spirit and point of view are certain to flourish. If these could be assured, internal productive capital formation would almost certainly follow. Only in a very limited and comparatively trifling sense can economic development be "imported". In nearly all its important essentials it must be generated from within. A people whose standard of living is not above its level of living is not likely to achieve much material progress. There must be a desire for economic progress coupled with a determination to achieve it."

This pregnant paragraph has certainly an application to recent Indian experience. No purely economic explanation is sufficient in respect of India's spectacular economic progress since 1952. There is no doubt that a great psychological change has accompanied Indian economic development since 1952. It may well be that in agriculture at least, it is this change rather than the economic co-ordinates, which have been causative.

If the psychological factor has been causative, it may well be that the continuance of economic progress at this rate will depend not so much on capital formation as on what the authors call "entrepreneurship, innovation and technical progresss". The authors tend to underrate capital accumulation as a dynamic factor and advance a powerful argument to support their view. They say: "Specialists believe that a rate of increase in total output in the developed countries over long periods has probably averaged about two to three per cent. Let a calculation based on plausible (even generous) assumptions, first concerning the probable yield on increments of the capital stock, say, 5 to 10 per cent per year, and second, concerning the proportion of total income that goes to capital formation say, 10 to 15 per cent, yields a rate of increase in total output well below the 2 to 3 per cent increase that in fact seems to have occurred. For example, if total income were 100, and if 10 per cent of this were capital goods output on which the average yield was 10 per cent, then the increase per period in total output would be 1 per cent. With a yield rate on 15 per cent, the figure would be 1.5 per cent. With capital formation 15 per cent of output and an average yield rate of 15 per cent, a figure which is almost certainly too high, the resulting increase in total output would be only 2.25 per cent.

It is the entrepreneur allied to the forces which "make it possible to produce the same product with fewer productive resources" that accounts for the difference. The figures quoted are certainly very suggestive. It is likely that mere capital volume used does not explain more than half of established rates of economic growth. The entrepreneur with all that inspired management, allied to new technical processes has contributed the other half.

There is a consistent underestimation in India of the character of entrepreneurship and the agency which brings technical progress into economic play. Much of physical planning on the Mahalanobian model sets out the generation of income as if the agency of management is either neutral or equally effective in the private and public sectors. This is almost certainly a major error.

The third important point in the discussion relates to an error which dominates the report of the Indian Taxation Enquiry Commission. The authors state: "Productive capital formation in these (underdeveloped) areas need not necessarily be at the expense of consumption, in the sense that consumption must decline if capital formation occurs. If idle resources can be utilized or if resources can be diverted from non-productive uses—from ceremonial activities, from non-productive capital formation or from the maintenance of non-productive capital goods—then productive capital formation can go forward without appreciably affecting consumption." No comment on this judgment is here necessary.

U.S. FOREIGN ECONOMIC POLICY

A Foreign Economic Policy for the United States: Clarence B. Randall. The University of Chica go Press. $1.95. Pages 93.

To those who have watched with dismay the manner in which powerful congressional lobbies have thwarted successive attempts to make U.S. foreign economic policy progressive, the recent change in climate would come as a great relief. Even when the Randall Commission reported, there were, inevitably, concessions to business interests mainly arising out of the composition of the Commission. Mr Randall has since then seized an opportunity to make his own personal views clear. In three lectures presented under the auspices of the Walgreen Foundation of the University of Chicago, he lays down in unequivocal language what American economic policy should be in respect of trade and tariffs. Condemning strongly the inability of the American business community "to place national welfare above self-interest" Mr Randall outlines a set of unexceptionable rules of

policy which would enhance America's security and the strength of the rest of the world. They may not be politically feasible all at once and Mr Randall is not unaware of the need for gradualness but his impassioned plea for realism seems to stem from the conviction that outspoken criticism would do nothing but good to the U.S.A. at this stage. Himself a businessman until he became chairman, his criticism cannot be misunderstood and his continuance as Special Consultant to the President on foreign economic policy augurs well for the implementation of a new policy.

Mr Randall is mercilessly logical in exposing the contradictions of protectionist arguments. His lectures were addressed to American audiences and there is little, if any, criticism of other countries. He stresses the importance of making countries like Japan economically viable, of promoting East-West trade for that purpose and of helping convertibility of currencies. The necessity for outlow of private capital from the U.S.A. and steps for the expansion of tourism are also emphasised. And on the touchiest of all subjects, namely farm price supports and American sale of surplus agricultural products, Mr. Randall has no hesitation in declaring that the system is full of contradictions and that there should eventually be a movement away from fixed prices. He minces no words; his great strength of conviction and mastery of the subject are clearly revealed in the decisive tone of his argument.

ECONOMIC SURVEY

1. **Economic Survey** 1919-1939 by Professor Lewis, Stanley Jevons, Professor of Political Economy, University of Manchester. Third Impreession 1953. Price 15s. Pages 221.

THE GREAT INFLATION

2. **The Great Inflation** 1939-51 by A. J. Brown M.A., D.Phil., Oxford Professor of Economics, University of Lleeds.

The first world war marked a decisive change in the temper and tone of world economy. The half century prior to 1914 was one of the expansion and confidence in continued, progress. In spite of increased production and higher standards of living (on the whole) in leading countries in the post-war era, the climate of hope could not be recovered but gave place to one of insecurity. Professor Lewis finds the explanation to this phenomenon in the collapse of international trade that followed the war and peace of 1914-1919. He traces waves or cycles in the period from 1919 to 1925, 1925 to 1929 and 1929 to 1939 and reviews the efforts made in The United Kingdom, U.S.A., Germany, Japan, France and the U.S.S.R. to recover normalcy by their governments. The second half of the period was marked by a complete recognition of the necessity of State action to restore the national economy to its moorings. It was the period or era of Planning. Professor Lewis shows how this Governmental action was not always wise and far-seeing. The remedy however, was not going back to laissez faire but forward to discover more effective methods of government action in economic matters.

Professor Lewis does not consider the validity of the claims of socialism by contents himself with the suggestion that it is possible within the four corners of the capitalist system to regulate or control economic forces in such a way as to remove the deadlocks at present clogging economic advance. Economists need to find an economic expression for class or social unity which would be inclusive of the interests of labour and capital, and justify a certain amount of economic inequality in the interests of all. Also, it is necessary to define further the particular ways in which government could intervene without supplanting private enterprise altogether. Can the world regain a stable and expanding economy? Professor Lewis indicates two lines of hope. One is increased production of primary commodities through application of technology, especially in South East Asia. The second is the industrialisation of new countries like India and China.

Professor Brown carries on the story of the post-war era in terms of the new worldwide inflation that lasted from the last war (1939) to the Korean crisis. The two books together offer us a complete picture of the new era after 1914 up to the present day with its phases of collapse of international trade, inflation, unemployment, price control, devaluation, rationing and so on. Professor Brown also stresses the need to stabilise the prices of primary commodities to counteract inflation. He agrees with Professor Lewis in thinking that the best way of doing this is by holding buffer stocks in accordance with international agreements.

3. **Essays on Liberty Volume II** by several writers. Published by The Foundation for Economic Education, Irvington-on-Hudson, New York. 1954. Pages 442.

These essays on liberty make a fresh analysis of human rights in the light of the American Declaration of Independence. They defend property rights as part of human rights. They seek to limit the functions of government to the primary duties of defence, law and order and justice. They take up an extreme anti-Statist view which is entirely out of tune with current feelings. Nor do they offer a constructive alternative to the Government-sponsored activities of social and economic guidance extending everywhere today. They are negative and critical and so fail to convince the reader.

NEW NATIONS OF SOUTH EAST ASIA

4. **New Nations of Southeast Asia** by William Henderson. Headline Series: Foreign Policy Association, U.S.A. Pages 57. Price 35 cents. 1955.

This is a short pamphlet giving a succinct account of the present position, economic and political, of four important countries of Southeast Asia—Malaya, Thailand, Indonesia and Indo-China. Nature is abundant here but owing to foreign subjection for a long time (except Thailand) the people are ill-prepared to take up their responsibilities as free nations and build up a modern, democratic society and state. The author is aware of the necessity for a "cultural synthesis" to enable the peoples of these lands to transform their traditional culture and to assimilate modernism with self-respect and confidence. He is aware of the danger of Communist subversion in these societies and approves of the America-sponsored SEADO. He recommends that free economic aid should also be given to sustain the new economies and help them to resist communist blandishments.

WORLDGRAM

AGRICULTURE

Lower World Food Output: For the first time since the war total world agricultural production in the year 1954-55 failed to rise above the level of the previous year. Small gains in production in Western Europe, Latin America, and the Far East were offset by falls in North America and the Near East. Apart from sharp fluctuations in cocoa, coffee and tea prices which fell to below late 1953 levels, there were no pronounced disturbances.

*

U.S. Farm Exports: United States Sales of farm products abroad increased from July 1954 to January 1955, to be 10 per cent higher than they were in the corresponding period in 1953-54. Total for the 6 months is estimated at $1.8 billion. United States farm exports totalled $329 million in November 1954, greatest monthly total since March 1952 and 17 per cent higher than in November 1953. Largest increases were in cotton, cotton seed oil, soyabeans, organes, barley, potatoes, and dry edible peas and beans. Declines took place in milk, beef, corn and rice.

*

Legislation for Land Reforms: Two land reform Bills, namely, the Punjab Occupancy Tenants (Vesting of Proprietary Rights) Amendment Bill, 1955, and the PEPSU holdings (Consolidation and Prevention of Fragmentation) Amendment Bill, 1955, have received the President's assent. The object of the first Bill is to clarify certain provisions of the Punjab Occupancy Tenants (Vesting of Proprietary Rights) Act, 1952, which vested proprietary rights in occupancy tenants and provided for payment of compensation to the landlords whose rights are extinguished for certain consequential and incidental matters. The Second Bill seeks to remove certain lacunae and ambiguities in the existing law. Under this legislation, non-evacuee lands allotted in lieu of evacuee lands would assume the attributes of evacuee property, while the evacuee lands included in non-evacuee holding would cease to be evacuee property in PEPSU.

INDUSTRY

European Steel Production Rises to New Heights: Figures given in the United Nations Economic Commission for Europe's latest 'Quarterly Bulletin' of Steel Statistics indicate that European crude-steel production in the first months of 1955 has broken new records. Expressed as an annual rate, exceeded the record or near-record 1954. Production in the first quarter 1955, outputs by the following percentages: Italy 20, Western Germany 18, France 18, Belgium 15, Luxembourg 11, United Kingdom 10, Saar 4 and Netherlands 1.

*

West German Industrial Expansion: Industrial activity in Western Germany continues as strong as ever. Imports of raw materials are still at a record level. The German motor-car industry has made an excellent start to 1955, producing at an annual rate of over 800,000 units of cars and vehicles. Compared with the January-February period of 1954, output this year is 37 per cent higher—133,254, units, against 97,811 last year. Steel output is running at an annual rate of 19.5 million tons. January-February output in 1955 totalled 3,256,738 tons, against 2,508,584 tons in the corresponding period last year. Export orders from countries outside the coal and steel pool area increased from 122,500 tons in January to 168,300 tons in February.

*

Record Industrial Output: Australia's industrial production reached an all-time high record in 1954. Business conditions were buoyant during the year, and Christmas retail sales were at record level. In Queensland meat production improved, sugar production was a record, and wheat production increased to 15 million bushels compared with 9,000,000 in 1953. Dairy production was static. The real level of output of the nation's economy in 1953-54 increased by 5.98 per cent above that of 1952-53, and 4.77 per cent over the previous peak of 1950-51. Last year's expansion of production was attained by a work force which by the end of the year numbered 3,520,000. Real output for each worker last year was 3.72 per cent higher than in the previous year, and 3.47 per cent above the 1950-51 peak. The Bureau suggested there were indications that pressure points were appearing at which both demand and cost inflation could present actual problems. The economy was virtually at the "full" employment stage. On the other hand, there had been powerful deflationary forces evident which were responsible for holding in check widespread inflation.

*

Vegetable and Chrome Tanned Leathers: The Indian Standards Institution has recently published an Indian standard on methods of sampling and test for vegetable and chrome tanned leathers. This standard gives detailed procedure for sampling of leathers and prescribes methods of test for chrome and vegetable tanned leathers, which include medium and light substance shoe upper leathers, like box sides, box kips, box calf, glazed kid, chrome gloving leather and other chrome tanned industrial leathers. This standard is to assist the leather industry in the country to adopt uniform methods of sampling and tests.

TRADE

Yugoslav-Burmese Economic Co-operation: In the first quarter of 1955, the Yugoslav firms concluded contracts for considerable trade with Burma. The total value of exports amounted to 232,000 dollars. The contract included among other things, such as cement, lead pipes, salonite-sheets, nails and small metal goods, delivery of 100 goods wagons costing 212,00 dollars. Apart from the supply of military equipment exports to Burma so far were not great. The value of exports in the first four months this year amounted to only 5,760 dollars, whereas imports from Burma during the same period amounted to 290,650 dollars. The chief items of imports from Burma were rice and teakwood. It is, however, stressed that economic co-operation between both countries has already surpassed the frames of the exchange of goods. A team of Yugoslav geologists is taking part in the geological survey in Burma. In addition to these, Yugoslav firms have submitted to the Burmese authorities a large number of plans for various projects. The results achieved so far in the field of economic co-operation are quite encouraging.

*

India's Trade with Pakistan, Afghanistan, Iran and Burma: The total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during April 1955 are as follows:

Merchandise exports :	Rs. 50 lakhs
„	To Eastern Pakistan Rs. 26 lakhs
„	To Western Pakistan Rs. 19 lakhs
„	To other countries Rs. 5 lakhs
Merchandise imports :	Rs. 153 lakhs
„	from Eastern Pakistan Rs. 136 lakhs
„	from Western Pakistan Rs. 1 lakh
„	from other countries Rs. 16 lakhs
Total Trade	Rs. 203 lakhs
Re-exports	Nil
Trade in treasure	Negligible
Balance of Trade	The total value of exports fell short of imports by Rs. 103 lakhs.

Danish-Polish Trade and Payments Agreement: A trade and payments agreement between Denmark and Poland for 1955, provides for an exchange of goods to the value of DKr 55-65 million. Denmark has hitherto paid for Polish coal to the extent of 7 per cent in dollars and 20 per cent in sterling. Under the new agreement, all payments will be made in sterling and the earlier swing credit will be discontinued.

*

Indonesia's Exports of Raw Materials in 1954: Exports of raw materials produced by foreign estates in East Sumatra in 1954 increased compared with figures in 1953, with the exception of rubber whose exports declined by 15 million tons. Rubber exports in 1954 were 161,136,367 tons whereas in 1953 they amounted to 177,783,366 tons. Increases were exports of tea, hemp, palon-kernal and palm-oil. Hemp exports in 1954, amounted to 20,283 tons, in 1953 they were 17,781 tons. Tea exports in 1954 amounted to 14,790,894 tons in 1953 to 13,557,691 tons. Exports of palmkernal in 1954 were 12,118,382 tons, in 1953 it was 41,329,418 tons. Exports of palm oil increased from 154,579,221 tons in 1953 to 162,921,115 tons in 1954.

FINANCE

World Bank Loan for Karachi Power Project: The International Bank for Reconstruction and Development has announced a loan in various currencies equivalent to $15,800,000 for the development of electric power in Pakistan. The borrower is the Karachi Electric Supply Corporation (KESC), which supplies power to the metropolitan area of the Pakistani capital. The project, being financed with the help of the Bank, will double the present output of power generated by KESC and will help to relieve the acute power shortage in Karachi. The Bank expects that all of the loan will be in European currencies, chiefly pounds sterling and German marks. Six of the Eastern exchange banks—a group with offices in Pakistan—are participating in the loan, without the World Bank's guarantee, to the extent of £735,000 ($2,058,000).

*

Customs and Excise Revenue in April 1955: The total gross sea and land customs revenue collected in the Indian Union during April 1955 amounted to Rs. 12.22 crores as compared to Rs. 11.68 crores collected in the corresponding month of the previous year. Of the total customs revenue collections, import duties accounted for Rs. 9.7 crores, export duties for Rs. 2.28 crores and land customs and miscellaneous for Rs. 24 lakhs. Figures for the corresponding period for last year were: import duties Rs. 9.6 crores, export duties Rs. 1.86 crores and land customs and miscellaneous Rs. 22 lakhs. The total gross collection of Union Excise duties amounted to Rs. 10.51 crores as compared to Rs. 9.35 crores for the corresponding period last year. The grant total of gross customs and Union excise revenue realised was Rs. 22.73 crores as compared to Rs. 21.03 crores during the corresponding months of the preceding year.

*

Reduction of Licence Fees: Following the withdrawal of the exemption granted to powerloom factories producing cotton fabrics, numerous representations have been received by the Government pointing out that the annual licence fee of Rs. 100 weighs heavily on the smaller units. Government have given careful consideration to these representations and have decided that as a measure of immediate relief the licence fees payable by powerloom factories should be reduced to a nominal sum of Re. 1 in the case of units with less than 10 looms, to Rs. 5 in the case of units with less than 25 looms and to Rs. 10 in the case of units with less than 100 looms. Instructions have been issued to all—Collectors of Central Excise to give effect to these orders immediately and to grant appropriate refunds in all cases where the full rate of Rs. 100 has been already realised.

*

Capital Issues Control: During the quarter ended December 1954, Government of India granted consent to 42 applications from Joint Select Companies in the country for issue of capital of a little over Rs. 21.49 crores. Thirty of the applications were from Industrial Joint Stock Companies, while the remaining 12 were from non-industrial Joint Stock Companies. Of the 42 applications, 20 were from new companies for a total issue of capital amounting to Rs. 10.07 crores. The Industrial Credit and Investment Corporation India Ltd., with a total issue of Rs. 5 crores capital, figures prominently among the 20 new companies, which include tea estates, two sugar factories, two mining enterprises, one company for the manufacture of Ferro Manganese, two cotton textile companies, a concern manufacturing automobile and stationery engine parts; sugar refinery and a rubber estate.

MISCELLANEOUS

Electric Traction Equipment for India: Electric traction equipment worth about £900,000 has been ordered from Associated Electric Industries (India) by Jessop & Company, which is supplying 104 coaches for broad-gauge multiple unit trains for the Calcutta suburban railway electrification scheme. The new rolling stock will comprise 34 three-coach units, each consisting of two driving trailers with a motor coach in between. Two spare motor coaches have also been ordered. The bulk of the electrical equipment will be made by Metropolitan-Vickers Electrical Company at its works at Sheffield and Trafford Park, Manchester. Approximately 10 per cent will be manufactured in India. The South African Railways and Harbours Administration has placed an order for 349 electrical railway coaches with Metropolitan-Camel Carriage & Wagon Company to the value of £7,200,000.

*

Indo-U.S. Agreements: Three supplementary agreements amounting to $522,700 U.S. assistance for joint projects have been signed between the United States Government and the Government of India. India's contribution to these joint projects amounts to Rs. 11 lakhs. By another supplementary agreement India's contribution has been raised by Rs. 71.25 lakhs for a joint project for "River Valley Development." According to an agreement, the United States Government will place a sum of $279,000 at the disposal of the Government of India for a joint project for Social Welfare Education. By another U.S. will contribute $235,000 for a joint project for expansion and modernisation of marine and inland fisheries. But for the study of thermal environmental conditions, U.S. will contribute $8,300. And for expansion of Aviation, U.S. contribution will amount to $2,340,500 in which India's contribution amounts to Rs. 603,000. U.S. will raise its contribution by $90,000 for another project for Training, Construction Equipment Operators and Mechanics.

*

FOA Loan to Iran: An agreement for a loan of $32 million to Iran was announced on April 4 by the Foreign Operations Administration. The loan, which is repayable in U.S. dollars over a 25-year period at an average rate of interest of 2.41 per cent, is part of FOA's $74.3 million allotment to Iran for technical cooperation and development assistance during the current fiscal year. The loan funds will help Iran carry out its extensive plan for economic development. FOA loans, made under provisions of Sec. 505 of the Mutual Security Act, are negotiated by the U.S. Department of State and FOA. The FOA is responsible for disbursement of the loans and other administration is handled by the Export-Import Bank.

NEWS IN BRIEF

INDIAN

The number of foreign tourists in India last year touched the record figure of about 40,000, while the country's earnings of foreign exchange from the tourist industry amounted to nearly Rs. 5 crores.

*

The Rehabilitation Finance Administration disbursed Rs. 950.94 lakhs as loans to displaced persons till the end of April, 1955.

*

The estimated expenditure on a basic type of community project (which does not include urban units) is Rs. 65 lakhs spread over a period of three years, of which Rs. 6.35 lakhs is dollar expenditure.

*

In the case of an urban unit of the ommunity project, the estimated cost is about Rs. 11 lakhs, of which Rs. 4.5 lakhs is in dollars.

*

A five-man delegation is being sent by the Government of India to Australia and Indonesia for about five weeks to study the various steps taken in those countries for the proper development of the sugar industry to see how far these measures could be applied in tackling the problem of the Indian sugar industry.

*

A £1,000,000 order for a dredger for Calcutta has been placed with a British firm by the Calcutta Port Commissioners intended for service on the River Hooghly.

*

Nearly 1,000 delegates, including 500 from India, are expected to attend the ninth Congress of the International Society of Sugarcane Technologists to be held in New Delhi from January 27 to February 4, 1956. An exhibition of sugar machinery of the latest design is proposed to be organised during the session.

*

The Punjab Government proposes to spend Rs. 28 crores on education schemes under the second Five-Year Plan.

*

Overall overseas trade figures for 1954-55 reveal that U.K. continued to be both India's best customer and supplier of goods, with exports to Britain increasing faster than imports.

*

Jute production in India in 1955-56 is expected to reach 4 million bales as a result of the implementation of the main recommendations of the Export Committee on jute set up by the Government in 1952.

*

The Government of India have reviewed the policy with regard to export of Kyanite ore and have decided to continue free licensing on presentation of shipping bills till the end of December, 1955.

*

The Institute of Indian Foundrymen was founded in 1950. The Institute's scope and activities are limited to the technical field, including foundry training, improving foundry practice and technique in the country to bring it at par with the best practices elsewhere in the world.

*

A trade delegation, consisting of leading representatives of the Indian Cotton Mill industry, has left Bombay recently on a study tour of Burma, Thailand, Malaya, Indonesia and Ceylon.

FOREIGN

It is reported that nearly £6 million worth of office equipment was exported by Britain during the first four months of 1955.

*

A new organisation has been formed by the United Kingdom Atomic Energy Authority which will make available the waste products of atomic power plants for industrial purposes such as the manufacture of new types of chemicals, the speeding-up of existing chemical manufacturing processes, and the sterlisation of canned food products so that their self life is increased many times.

*

Sweden's iron ore production increased in the first quarter of 1955 to 4.09 million metric tons, compared with 3.81 million in the same quarter of 1954 and 4.06 million in the fourth quarter of 1954.

*

Aggregate Yugoslav exports during the first four months amounted to 19,568 million dinars as compared to 19,128 million in the same period last year.

*

According to data released by the Yugoslav National Bank aggregate income of the Yugoslav population during the first five months this year totalled 248 billion dinars and 693 million dinars, making an increase of 52 billion dinars and 465 million dinars as compared to the corresponding period last year.

*

More than 300 delegates from 22 countries on 5 continents will be attending the International Advertising Conference that is going to be held in Zurich on the 29th of July, 1955. Talks and panel discussions at the meeting will cover new developments in "Advertising in World Markets."

*

The total amount of electricity consumed in France in 1954 was about 10 per cent higher than in 1953. Power production was approximately 250 million kwh per month higher than in 1953.

*

Total sales for the electrical construction industry in France during the first two months of 1954 amounted to more than 375 billion francs, ae against 337.5 billion francs for the same period in 1953, an increase of slightly more than 11 per cent.

*

The Pakistan Jute Board has decided to maintain the minimum price for jute next season at £80 per ton as the basis for export firsts.

*

The Iraq Government Development Board will engage 50 British engineers to enable it to produce with its £59 million full scale programme for high—ways and bridges within the next five years.

*

The U.S. Agricultural Department has forecast a wheat crop of 845 million bushels for 1955, the smallest crop since 1943 and 13 per cent lower than last year's production of 920 million bushels.

*

East Java's sugar production this year is expected to increase by 15 per cent of its 1954 output. The 1954 output totalled 814,708 quintals, while the 1955 figure is estimated to 936,000 quintals.

*

Italy requires investment aggregating 2,000 millard lire (£1,142 million) during the next 10 years for the development of the country's oil resources to meet its demand for oil.

Economic Report from the U. S.

AMERICA'S FARM PRICE SUPPORT PROGRAMME

WASHINGTON, June 28.—America's wheat farmers just a few days ago casted their most important ballot of the year. When they voted on the agriculture Department's proposed marketing quotas for their 1956 crop, they were in effect deciding the fate of the Government's farm price support programme. The result was a surprise, not so much over the outcome itself, as over the decisive margin by which growers voted for continuation of the price support programme. More than 254,000 or 77.5 per cent of those casting ballots, voted in favour of quotas. This means that wheat plantings for the 1956 U.S. crop will be held down to 55 million acres, although the same as the 1955 acreage allotment, yet well below the 1954 and 1953 allotments. Each farmer will have his own allotment within this total, based on the number of acres he had planted in other years. His marketing quota is the amount of wheat he raises on his allotted acres.

With wheat surpluses continuing to mount, however, the Government's support price on the 1956 crop will be lowered to $1.81 a bushel, representing 76 per cent of "parity"—the theoretical figure deemed fair to farmers in relations to the prices they pay for the things they buy. Supports on the 1955 crop were figured at $2.06 a bushel, or 82.5 per cent of parity.

In view of the proposed lower support prices, observers were predicting a much closer vote, with the possibility that farmers might even reject the quota programme, as last year, quotas were approved by 73 per cent of the farmers voting. If marketing quotas had been rejected, the 1956 suppport price would have dropped by law to 50 per cent of parity, i.e., about $1.19 a bushel. In actual practice, this could have meant no controls at all, since most farmers probably would have preferred to take their chances on getting a better price in the open market. But the wheat growers apparently favoured the present system, because they were undoubtedly aware of the chain reaction that rejection of marketing quotas could have set off. A substantially lower price for wheat, for instance, could have put it into competition with corn (as livestock feed), affecting livestock marketing and supplies and endangering historic relationship among farm products.

The Government's price-support programme provides floors under basic farm products, which includes corn, tobacco, rice and wheat. If the market price falls below the support level, the Government puts the farmer's product in storage and pays him the support price. The Government, however, cannot sell a stored crop until the market price reaches 105 per cent of the current support price. For several years, the market price has been below the support level, and the stored crops have continued to accumulate. Despite the acreage and price cuts of recent years, the stored surplus of wheat has grown to about 1,000 million bushels. The Government's investment in these supplies now total some $2,700 million, estimated at 37 per cent of the total funds the Government has put into farm price support programmes.

With this year's crop estimated at 845 million bushels, there is little chance of any surplus reduction before the 1956 harvest. Domestic consumption and exports this year are expected to total about 842 million bushels. Exports have increased some 30 per cent this year. But at an estimated 240 million bushels, they are still less than half the total in the 1952 season. This may reflect efforts of importing countries to attain greater self-sufficiency, as well as attempts of other exporting countries to expedite sale of their wheat abroad.

In this connection, the agriculture department has pointed out that more than 96 per cent of the world's wheat crop is produced and marketed under various forms of Government incentive and planning. In addition to the United States, such exporting countries as Argentina, Australia, Canada and Sweden have domestic price support programmes. In many other lands, Governments fix wheat prices or purchase wheat supplies outright. Wheat problems, therefore, are by no means peculiar to the United States. In time, as population continues to grow and living standards improve, the problem will be subject to gradual solution. For the present, the prospect is that U.S. farmers will be producing less wheat at lower prices next year, and perhaps in years to come.

GOVERNMENT OF INDIA

NATIONAL PLAN BONDS - SECOND SERIES (3½% 1965)

Limited to Rs. 100 crores (Approximately)

Rate of Interest 3½ per cent per annum payable half-yearly on 1st January and 1st July,

Repayable on 1st July, 1965.

Opening on 1st July, 1955 and closing on 5th July, 1955 or earliar without notice.

Issue Price Rs. 98-8-0 per Rs. 100 (Nominal)

Subscriptions will be received in the form of (i) Cash or (ii) 2½ % Loan 1955, or (iii) 4½ per cent. Loan 1955-60 which will be accepted at Rs. 100 for every Rs. 100 (Nominal) tendered for conversion.

Interest will be paid on the 2½ per cent. Loan 1955 and 4½ per cent Loan 1955-60 tendered for conversion up to and including 30th June, 1955.

Applications will be received at the offices of the Reserve Bank of India at Bombay, Calcutta, Delhi, Madras and Bangalore, at the branches of the State Bank of India at other places in India except in the States of Hyderabad and Mysore, at the branches of the Hyderabad State Bank in Hyderabad State and at the branches of the Bank of Mysore Ltd., in Mysore State.

For full particulars apply to any of these offices, branches or treasuries.

WEST BENGAL AND SECOND FIVE-YEAR PLAN

Observations by Dr. B. C. Roy, Chief Minister, West Bengal, regarding the proposed Plan Frame for the Second Five-Year Plan.

Three papers have been circulated for consideration by the Planning Commission regarding the framework of the Second Five-Year Plan, viz.,

one, by the Statistical Institute,

the second, by the Economic Divisions of the Finance Ministry and the Planning Commission, and

the third, by a Panel of Economists.

These papers differ somewhat in the number and content of the objectives of the Second Five-Year Plan. It seems there is a confusion between objectives and targets. The objective is the long-term goal. Targets are subsidiary positions to be covered in successive stages in order to reach this goal. The distinction is not merely pedantic; it has a practical importance. Targets follow from the objective. Targets should be concrete and specific; the objective can be only indicated in a general way. The objective is single, unipurpose; targets can and should be multiple, converging to this one final aim.

The objective of social planning can be only one. It is the conscious promotion of human growth. Such an organic growth postulates a balanced development of all aspects of human life, not only of the material base through steel plants, hydro-electric power, locomotives and machineries, but also of better nutrition, medical care and living comfort as well as mental stimulation and well-being through educational expansion.

We can only fix upon the targets of the Second Five-Year Plan if we are clear about our ultimate goal. One of the profoundest consequences of the definition of planning as the conscious promotion of human growth is to make us realise that social planning is an essentially biological problem. A mere statistical-mechanical approach is basically unwise and unsuitable, perhaps dangerous.

In order to reach our objective we should asses

(a) our currently available surplus resources, both material and human, which can be straightaway utilised for further growth;

(b) our current capacity for the organisational effort required for promoting such growth.

In assessing these, it is not enough that we recognize the potentialities of our resources or of our long-term capacity for effort. We should find out the current resources and current capacity. The potential may be larger, but to transform it into kinetic energy will require the utilisation of some portion of the available kinetic energy itself. Hence, what matters is not what are our potential reserves, but what is the extent of the existing resources and our ability to utilize them within the period of the Second Five Years. It is clear, therefore, that in this assessment we should recognise the qualitative as much as the quantitative approach through statistics and mechanical formulae.

All the three papers agree at achieving rapid development. They recommend a bold plan. They have tried to estimate the increase in national income, investment and employment to be achieved in the next five years.

ANNUAL NATIONAL INCOME

It is stated that the annual income in 1950-51 was Rs. 9,190 crores; it became in 1955-56 Rs. 10,800 crores, the rate of increase being 2.5 to 3 per cent. per year or 12.5 to 15 per cent. in five years.

It is proposed to increase the national income to Rs. 13,700 crores in 1960-61, i.e., the rate of increase should be 5 per cent. per year, or 25 per cent. in five years, that is to say, the present rate is to be doubled.

The per capita income is proposed to be increased from Rs. 282 in 1955-56 to Rs. 334 in 1960-61 after taking into account the increase in population in five years.

A. In order to achieve the above, it is suggested that the rate of investment in the next five years is to be raised from 7 per cent. of the national income to 11 per cent. of the national income. The total fresh investment required for new development works in the second five-year period will be Rs. 5,600 crores, of which Rs. 4,950 crores will come from domestic savings and Rs. 650 crores from foreign sources. Of the Rs. 5,600 crores, Rs. 3,400 crores will be in the public sector and Rs. 2,200 crores in the private sector. Rupees 3,000 crores more will be necessary for carrying on the present items of development and development outside the plan.

B. It is proposed that taxes should be increased even on essential supplies, if necessary, by amending Article 286(2) of the Constitution.

TOTAL EMPLOYMENT

It is proposed to increase the figure from 9 to 12 million over the five-year period. It is suggested that the major increase will be in mining and factory establishments, which will absorb 42 per cent. of the total increase in employment.

Let us test these two propositions.

(a) Is there any room for increased taxation? So far as State subjects are concerned, it is almost impossible to increase the sources of taxation, much less to attempt taxing essential supplies like food products.

(b) The level of our standard of living is very low. The margin of saving left after meeting the essential requirements is very narrow. If we take away a part of it for investment in schemes which will only bear fruit for direct consumption after some interval, the present standard of living will be further depressed. Therefore, there cannot be a curtailment of present consumption, which is already very low. It may be possible to get increased receipts of taxation if we can tap the higher income groups. But our present structure of taxation of these groups leaves little scope for them to bear any further burden.

To meet this criticism, it has been suggested that unemployed manpower and unexploited resources can be brought together to increase both consumption and investment simultaneously. It is also suggested that in an under-developed economy, where there are idle resources, increased investment need not necessarily imply reduction of consumption. We may agree that in the large-scale organised sector of the economy, unemployed resources of skilled labour can be put to work the present installed capacity of plant and equipment without any fresh investment . This can be done by working double shifts or more. We may consider the position of six of our large industries in India today, viz., textiles, sugar, steel, tea, cement and paper. It is reported that all these concerns are working at

more or less full pressure. But perhaps we may increase the production 5 to 10 per cent. by utilising the excess capacity of their present equipment.

In the vast sector of small-scale and petty production, semi-skilled or even unskilled labour, now unemployed or under-employed can put to work available land and existing hand-tools and craft-implements more intensively.

Both the above measures may increase employment to a certain extent. Additional wealth may be so acquired without any encroachment on current consumption. This additional wealth can be invested in improving our capital equipment. Of these two sources of increased wealth, the first one is mainly urban, well-knit, and perhaps easily controlled. The second one can only succeed if the people are motivated and the effort is spontaneous. These two processes are inter-dependent; expansion in the productivity of the urban sector can only be possible if increased raw materials are available and there is an improved market for urban products.

It has been suggested above that there has been increase in national income from Rs. 9,190 crores in 1950-51 to Rs. 10,800 crores in 1955-56. But it cannot be overlooked that the increase of wealth is not all in the form of directly consumable products. A considerable portion has been in the shape of dams, factories and other capital investments, which will take time to express themselves in a rise in the standard of living. A part has to be set aside for maintenance of capital previously installed, another part for the consumption requirements of the increased population. Only the remainder represents the net addition to wealth available for direct consumption.

We cannot calculate the amount that would represent such addition to wealth available for direct consumption. But it must be small. So far as the rural sector is concerned, increased production of food, for instance, will naturally lead to increased consumption by them. This demand for increased intake of food will be irresistible.

PATTERN OF TARGETS

Of the total proposed investment of Rs. 5,600 crores it is proposed to allot—

(A) Rs. 1,400 crores to industry, of which

(a) Rs. 100 crores will go to factories making consumer goods;

(b) Rs. 200 crores to household and hand-industries;

(c) Rs. 1,100 crores to manufacture of producer goods like heavy machinery, iron and steel, cement, chemicals, fertilizers and expansion of existing State enterprises;

(B) Rs. 1,350 crores for construction;

(C) Rs. 500 crores for electricity;

(D) Rs. 900 crores for transport and communications;

(E) Rs. 950 crores for agriculture and irrigation; and

(F) Rs. 500 crores for buffer stocks.

Perhaps barring part of Rs. 950 crores allotted to (E) and Rs. 300 crores to consumer goods, no consumable results are likely to be expected within the five years from the investment of the rest of the Rs. 5,600 crores.

The workers who are employed in concerns manufacturing non-consumer goods will receive wages which they would like to spend on consumer goods. According to the allocation of funds for different purposes, such demands for consumers goods cannot be met, with the result that there will be steep rises in the prices of consumer goods and a vicious spiral of inflation may result.

It is suggested that the surplus production from agriculture and small-scale consumer goods mentioned above will be controlled and rationed to meet the increased demand of consumer goods by wage earners. This is called a common production programme. This is hardly feasible in this country. The reasons are

(a) the excess from small-scale and hand-industries will be poor in quality and small in quantity,

(b) they won't satisfy the demands of the wage earners,

(c) the surplus will have to meet the increased demand of the villagers and they will not offer them for sale unless they get something in return which they value. Heavy capital or producer goods will not satisfy them. We should, therefore, plan for the needs of the villagers for their village enterprises—the need for raw-materials, improved tools, equipment and cheap power. We can then estimate the surplus which will be needed of coal, iron, steel and yarn, machineries for making tools, irrigation facilities and so on.

Such supplies will have an assured market. We can then calculate our targets for heavy industries also. Therefore, we should plan for

(a) increased production in agriculture and small-scale enterprise;

(b) increased consumer goods for the use of the increased number of workers engaged in making capital goods, construction works, transport, electricity, etc.; and

(c) begin with a fuller use of present installed capacity for consumer goods.

The Plan may be expanded to put in new installations in due course.

Letters to the Editor

PLANNING IN WEST BENGAL: THE FIRST ROUND

[We publish below without comment a reply from an official source to our article on this subject published in our issue of June 3, 1955:—Ed.]

The critical references to the West Bengal position contained in the article appearing in the issue of the Eastern Economist of June 3 last is welcome but it is to be feared that the Eastern Economist's contribution has been faulty both in regard to the logic of the argument which is under scrutiny, as well as the factual assumptions on which it proceeds. West Bengal's approach to the Second Plan has been made on the following assumptions (1) No sector of the economy, as also, no section of society, can be left out of account in a plan of comprehensive development. (2) Targets of efforts in each of these sectors and sections must bear a determinate relation to one another. (3) The starting point for tracing this pattern of relationships is at the base, which is in the rural sector (4) The sum total of efforts in all directions, taken together, cannot exceed the sum total of our current resources.

Once this reasoning is grasped, it should not be difficult to see that development must of necessity be multi-frontal. To launch a programme of simultaneous improvement in a number of directions is not only not inconsistent, but is imperative for promoting harmonious growth. Speaking concretely, it must be evident that even a simple measure of increasing agricultural efficiency in the village, such as, through provision of a slightly improved implement of tillage, demands a whole series of supporting measures through extension, experiment, research, training, and supply of ingredients. Consequently, a plan must make provisions in all these spheres; and not all of them are confined to work in the village. In other words, a properly conceived village-based plan involves action in the fields of medium, large-scale, heavy and basic enterprises also, and must draw into its orbit the middle classes and moneyed sections, no less than the people in the villages. To pillory West Bengal because it wants the Ganga Barrage Project and the Durgapur industries at the same time that it wants to construct a plan on the basis of rural development is to have missed this logic.

The Eastern Economist has urged that dams, factories and other capital installations represent the essential wealth of the nation. The West Bengal argument points out that minimum consumption for healthy growth is no less essential; and to ensure this is even more fundamental, because if that be denied, then there will be no development of the capacity to make use of and enjoy the wealth which may be ultimately produced by our capital projects. The truth is that efforts in all these directions are essential in different ways and that wise planning is a challenge to advance in a balanced manner without undue sacrifice of any of the vital requirements of social growth.

It is difficult to follow another charge which has been levelled against the West Bengal stand. It has been started that "to plead for further utilisation of pre-existing capacity of land and craft-equipment in preference to land reclamation and large-scale production is to put a permanent premium on inefficient methods of production." Let it be stressed again that, as indicated already, large-scale enterprise has not been left out of account. The point made by West Bengal is that large enterprise means large investment of capital; and in a poor country there must be the closest attention paid to augmenting our scarce supply of capital by stretching to the full all existing resources in the vast field of petty, rural enterprise. Would such a course of action mean stabilizing inefficiency, or would it mean, on the contrary, setting inefficient, petty industry on its feet towards sustained growth by tapping a hitherto neglected source of progressive capital formation?

Figures have been cited to show that while the Chief Minister of West Bengal pleads for moderating the targets in the all-India plan, the schemes in his own State are being drawn up on a grossly over-ambitious scale, bearing no relation to capacity or the overall requirements of balanced development which he enunciates as his objective. This criticism is based on incorrect information about certain facts. It is not true that a plan of 550 crores was cut down to 450 crores in Darjeeling. The object of the Darjeeling discussions was for Government as a whole to acquaint itself with the nature of the various proposals which had been drawn up by the different Departments. The first stage in planning is to prepare an inventory of needs. The needs arising in each of the different problem areas in charge of the different administrative Departments have first to be listed. The Darjeeling meetings considered the separate inventories drawn up for the separate problem areas. Thereafter certain directives were laid down. These directives referred to the steps which were to be taken to relate the needs of different categories with one another in order to make an organic whole, according to the basic objectives to be pursued.

In view of the paucity of resources, it was felt that priorities must be indicated in the ultimate choice of schemes. In determining such priorities, certain factors were asked to be taken into account. It was laid down that three main factors were to be borne in mind: the capacity of particular schemes to directly contribute to the production of new wealth. Secondly, the extent to which the increased production would lead to increased consumption and well-being; thirdly, the extent of diffusion of the increased production by employing the maximum number of people, so that their purchasing power and consumption standards should be raised. It was laid down for this reason that an important criterion for judging the various schemes would be their potential for productive employment, by which means alone we could ensure increased consumption of the wealth which was produced.

The Darjeeling directives also emphasised the importance of matching the effort which might be finally envisaged in this manner to the capacity which might be estimated to be available. But in considering this matter, West Bengal could not be obviously regarded as a self-sufficient and insulated area of planning. Certain advantages which West Bengal was specially suited to develop would accrue to the benefit of people beyond the borders of this State. Certain problems here would similarly demand the attention and support of the rest of India. There would be need to exploit these advantages to the maximum extent possible within all-India capacity. There would be equal need to mobilize a part of the resources beyond West Bengal to relieve particular tensions here which have country-wide repercussions. The Eastern Economist itself has shown a vivid awareness of these facts in the past.

West Bengal's plan is being hammered into shape with all possible regard to these considerations. It is hoped that this account will give a correct picture of the process which is involved.

INDIA'S MARGINAL RATE OF SAVING AND THE MAHALANOBIS PLAN

Sir,

In "The Eastern Economist" of May 6, 1955, you have observed that the marginal saving ratio implicit in the Draft Recommendations on the second Five-Year Plan by Prof. Mahalanobis is unduly high and as such the investment targets given are unrealistic.

Your arguments are based on the following two proportions: (a) the observed ratio for India is much lower and (b) the ratio observed in the past is likely to hold in future. For establishing the first proposition you have used a method of estimation which cannot be accepted as valid. Any estimate based on just two years may give a trivial result even when applied to similar data for so-called advanced countries. Also in using the investment data, you must have used some deflator the choice of which (being arbitrary) might lead to a ratio fitting in with preconceived ideas.

You do not seem to have correctly interpreted the position of Professor Mahalanobis in your attempt to

infer from the past the likely magnitude of the ratio on the future. Professor Mahalanobis would possibly agree that the ratio is likely to be relatively stable if no deliberate action is taken to change it. He has been, however, talking in terms of planning; and hence your arguments appear to be irrelevant. In planning, the instruments of economic policy are so chosen as to achieve the desirable objectives set out in the shape of the production targets. The targets are chosen in such a way that they are mutually consistent, indicating that it is physically possible to achieve the targets. The financial and monetary policies are then chosen so as to bring about the allocation of resources necessary for the realisation of the targets. Thus, any argument based on a study of conditions of an economy left on its own cannot apply to the conditions envisaged by Professor Mahalanobis. Both the aggregate and marginal rate of investment may be stable or even falling in a purely laissez-faire economy, but these ratios do rise in Planned economies and there is every reason to expect that they would also rise in India under conditions of economic Planning.

To sum up, in your exposition the logical structure underlying the draft Plan-frame of Professor Mahalanobis has been ignored. Also, you have tried to disprove a proposition by assuming laissez-faire conditions while the proposition was stated to be valid under conditions of economic planning. The inconsistencies in your exposition will be apparent to those who are familiar with the theory and methodology of economic planning. But it is necessary to bring to the notice of the uninitiated readers the fallacy and inadequacy of your exposition.

Yours faithfully,
Sd/- B. L. RAWAT.

New Delhi.
4th June, 1955.

["The Eastern Economist" is glad to publish Mr. Rawat's letter. It exhibits very markedly the danger of "logical consistency" in human affairs.

In regard to questions of fact on the Ratio and the Marginal Rate of Saving, on which Mr. Rawat calls "The Eastern Economist" estimates in question, will he kindly give his own or Prof. Mahalanobis estimates for purposes of comparison? It will then be possible to see how "preconceived ideas" have vitiated "the Eastern Economist's" argument.

On the major issue, surely to argue that because a Plan is "logically consistent", it is practicable, is absurd. One can logically assume any figure for the rate of saving. Why not fifty per cent of increments of output? Does this imply the Indian people will perform, or can be made to perform according to the Plan? There were limits, even in the U.S.S.R. to the capacity of the Government to extract savings from its people. In democratic planning, any great duration from the existing rate will be impossible.

In any case, a Plan which assumes superhuman efforts from the people and determines to enforce them is not a democratic Plan. What Mr. Rawat must mean when he talks about "the conditions of economic planning" must be totalitarian planning with the aid of a prisonhouse—Ed.].



Announcement

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Special Articles

ECONOMIES OF EASTERN EUROPE

The post-Stalin period has been witnessing certain changes in Soviet economic policy, with its inevitable reaction on the countries which lie within the Soviet orbit. The emphasis during the Stalin era on heavy industry (which was considered to constitute the firm base for the national economy and the defence and security of the Union, and which, accordingly, was raised to a privileged position in the allocation of resources), suffered a slight and temporary eclipse during the Malenkov regime (which laid stress on the importance of achieving a sharp increase in the production of consumer goods). The period from August 1953 to the end of 1954 saw a series of measures designed to increase inputs into agriculture and light industry, and to expand consumer purchasing power. There has since been a shift in the emphasis of economic policy.

These changes in economic policies have found their echo in Eastern European countries, even though their immediate implications have varied with the extent of the changes introduced in 1953 in the relative scale of priorities previously prevailing. During the period which started about the middle of 1953, the planning authorities in Eastern Europe seem to have had three main aims:— To make a new start towards the solution of agricultural problems, to remove the lack of balance between the basic industries, and to bring about an immediate and substantial improvement in living standards.

A vital problem common to the Eastern European countries arises from the fact that the number of non-agricultural people is in excess of the farm population. This has compelled the Governments concerned to resort to what are called "economic incentives." Their plans have envisaged sharp increases in agricultural production with promises of sharp increases in agricultural investments for mechanization, construction, irrigation and drainage of land, and increased production of farm tools and fertilizers. The incentives, it was hoped, would induce peasants to develop wastelands. Except for an increase in the area of maize cultivation and in fodder supplies in Rumania and Hungary, the incentive policy has not met with the expected success. Large tracts of derelict land remained in Czechoslovakia and Poland. The manpower position remained acute in Czechoslovakia. It had been hoped to recruit 105,000 additional workers to agriculture in 1954, but only 17,000 were forthcoming. Little progress was made in manning State farms in those parts of Poland where the labour-land ratio is anomalously low. The terms of trade had been turning against farmers and not adequate efforts were put forth by peasants and co-operative farm managers. In spite of outward appearances to the contrary, there have been indications that the peasants had been showing resistance to socialised agriculture. Until the Communist leaders come to grips with this central problem, it is hard to see how patchwork remedies can substantially improve the agricultural situation.

The only redeeming features in the agricultural sector have been the general increase in the volume of investment in agriculture (shown in the table at the end of this article) and the increasing output of large-scale machines for agriculture during the last two years.

In the field of industry the position is hardly better in the People's Democracies. Eastern Europe's bottleneck industries are mining, steel, electric power and building materials. The pace of development of electric power was held back by the world shortage of machinery for the manufacture of generating equipment. More generally, the planning authorities have wanted to avoid increasing capacity, which by its nature must be in large units, each very costly, faster than the demand for its products expanded, with the result that demand has regularly tended to press against capacity in basic industries. In each of the countries concerned, the strain on capacity had reached an acute phase in 1953. The solution attempted in these countries all had one common feature—a decision to reduce the rate of increase in the demand of the fabricating and building industries for the products of the bottleneck industries. In practical terms this meant a slackening of the rate of expansion of industrial investment. Every effort was, however, made to expand output of electric power, steel and cement and, in the event, the shortages became less and less acute in 1954. The situation in coal mining industries has, however, remained unsatisfactory, and in most countries there has been a fall in output per man. Old coal fields have been running short of better seams and production costs have been increasing, particularly in Poland and Czechoslovakia.

Information published by Eastern European Governments showed a steady rise in personal incomes since 1953, and consequent rise in consumption which was reflected in a sharp rise in retail sales. In Eastern Germany, Hungary and Rumania the actual increases in the total volume of goods sold at retail were very close to the targets called for in the operational plans. Nevertheless, there remained a persistent shortage of certain kinds of food, mainly animal products, which had to be imported from abroad. The planning authorities found it necessary to recognise the tightness of the food position by cheapening manufactured goods relatively to food stuffs.

It has been the custom in the Soviet Union from time to time to reduce some retail prices by more than was justified by a nice comparison of the extra supplies in sight and the extra demand thus created. The reasoning behind this is presumably that a single big reduction in the prices of durable goods is likely to have a greater incentive effect on workers than a gradual downward slide of prices. It is possible that some of the excess demand in Eastern European countries was deliberately created for the same reason. In Poland since the end of 1953, two price cuts have been announced on several articles and the wages of certain categories of workers have been adjusted. On the basis of this move, the regime is attempting to convince the working class that real wages will increase by 15 to 20 per cent by the end of 1955. There is nothing more uncertain than this promise and the Polish people know it. Many industrial managements have been indulging in violations of the social provisions of the labour code. Finding that managers, sometimes in agreement with the competent ministry, have not been respecting bilateral agreements with workers, the

latter have assumed an attitude of indifference to the regime's invitations to enter into production agreements. In turn, the regime, not infrequently, finds it necessary to resort to terror methods.

Efforts to restore financial discipline in industry have begun in all countries of Eastern Europe, particularly in Eastern Germany and Hungary. Managers of enterprises have been informed that from now on they will not to able to recoup themselves for exceeding the cost limits laid down in their plans. Workers have been warned that their wages are to be tied closely to their performance.

The 1955 plans of the People's Democracies, published in December 1954 or early in 1955, do not indicate any significant changes from those for 1954 in the pattern of output or in the rates of growth laid down for the year. The targets set for agriculture are of the same order of magnitude as in 1954. The increases in total indulstrial output called for are not greatly different from those achieved in 1954. From the following table it will be seen that investment is to be stabilised or only slightly increased, and that the share of agriculture and the basic industries—coal, power and steel—in investment is to be increased. Almost the only sign of changes in allocations is the increased provision for national defence made in the State Budgets. It is difficult to reconcile this stability with the renewed emphasis laid on the importance of speedy industrialisation and, in particular, of the further expansion of heavy industry. It will not be surprising if overfulfilments of the targets eventuate in at least some branches of industry.

TOTAL VOLUME OF INVESTMENT
Billions of national currencies at constant prices

	1953	1954	1955
	Actual	Plan announced at beginning of year	Actual	Plan announced at beginning of year.
Bulgaria				
Czechoslovakia				
Total (index numbers)	100	108	98	112
Agriculture	1.1	2.3	2.0	4.0
Industry	8.4	9.6	..	..
Total	9.5	11.9	2.0	4.0
Hungary				
Agriculture	2.1	3.25	2.5	2.3
Light Industry	0.5	0.55	..	0.8
Heavy Industry	7.5	4.5	..	3.2
All Industry (including construction Industry)	8.0	5.0	4.7	4.0
Housing	1.0	1.5	1.3	1.2
Other	5.2	3.7	2.9	1.5
New investment	16.3	13.5	10.9	9.0
Renewals	3.5	3.5	3.9	4.3
Total	19.8	17.0	14.8	13.8
Poland				
Agriculture	2.9	..	3.8	4.0
Industry and Building enterprises	18.6	..	16.9	15.5
Housing	3.7	..	4.7	5.0
Other	7.9	..	8.4	8.7
Total	33.1	..	33.8	33.2

POLICY FOR LOCAL FINANCE

LAST week the Central Council of Local Self-Government met for its first session, but it could not give the lead which was expected of it on the shape of the development of local self-Government in the next Plan. It merely urged that the scant treatment which was meted out to local self-Government in the first Plan must in no event be allowed to be repeated. The report of the Taxation Enquiry Commission, in so far as it relates to local finance, figured prominently on the agenda before Council's session. But the outcome on this important issue was the appointment of a special committee for investigation and report. This was perhaps inevitable because of the composition of the Council. To the Ministers of Local Self-Government in the States, who form the bulk of the Council, it was embarrassing to forestall their respective governments by definite commitments. If the special committee, which consists exclusively of State Ministers holding this portfolio and the Union Minister of Health, succeeds in persuading the State Governments to announce their decisions on the TEC's recommendations within the prescribed deadline of two months, much of the uncertainty that hangs round the future of local finance would be ended.

The Finance Minister said in the course of his speech in Bombay two days ago that State schemes for development of local self-government remain to be incorporated in the plan-frame. He has, given the assurance that liberal financial provision would be made for local bodies for giving priority to schemes of water supply, drainage and slum clearance.

In the rural sector, in the case of local boards generally, but more specifically in the sphere of village panchayats, enthusiasm to expand the range of general activities must be curbed. The activities of the rural bodies ought to be concentrated primarily on sanitation, water supply, health, and secondarily on education, communications and works of minor irrigation. Himachal Pradesh typifies the maximum preponderance of tax revenue to the extent of 100 per cent, while Saurashtra shows great reliance on Government grants to the extent of 87.7 per cent. In both the cases, the small size of the total revenue places restrictions on the range of their activities and services. Between these two extremes other States enjoy varying proportions of tax and non-tax revenue. The composition of the revenues of district local boards is brought out in Table A.

TABLE A

PERCENTAGE RATIOS OF SOURCES OF REVENUE OF DISTRICT LOCAL BOARDS TO TOTAL REVENUE*

State	Taxation	Fees & Fines	Grants	Miscellaneous
Bihar	33.5	..	54.8	..
Bombay	55.2	..	44.6	..
Madras (Pre-partition)	43.8	14.2	31.5	10.5
Orissa	25.6	4.9	65.3	4.2
Punjab	30.2	18.0	42.1	9.9
Uttar Pradesh	24.8	21.82	53.6	..
West Bengal	45.1	0.3	43.8	10.8
Hyderabad	90.2	1.1	..	8.7
Mysore	35.6	19.11	17.5	27.4

*Note: Figures for latest available year from 1950-51 to 1952-53.

The high percentage of tax revenue (90.2) in Hyderabad must be read in conjunction with the total revenue at the low level of Rs. 34 lakhs. It establishes

restriction on capacity for expenditure. Excepting for Bombay, Madras and West Bengal, all the States specified above disclose a disturbing position as regards income from taxation and consequent dependence on Government grants.

Because of their better sources of revenue municipalities are relatively well placed. Table B in this article highlights the large ratio of tax-revenue to total revenue. In absolute terms, Himachal Pradesh, Hyderabad and Madhya Bharat show the impressive role of tax-revenue, which loses much of its meaning when related to total amounts of income. In U.P., Bombay and Madras where aggregate revenue ranges between Rs. 665 lakhs and Rs. 715 lakhs, we find a higher level of income from taxation. Grants-in-aid assigned to municipalities are either matched or excelled by other non-tax sources like operation of public utilities. An important feature of expenditure is the inadequate provision for water supply and sanitation services which ought to claim a larger proportion of total expenditure.

A sound system of local taxation alone can provide a solid basis for sound local finance. State Governments ought to be prepared to accept an increasing measure of decentralisation and to transfer suitable financial powers and responsibilities to local bodies where they must lie. The modifications of the present policy suggested by the Taxation Enquiry Commission are calculated to increase self-dependence of local bodies. Taxes on property, octori duties, taxes on vehicles and on animals and boats, professional taxes and taxes on advertisements cover a major part of sources of rural local taxation and over half of the sources of municipal taxation. In respect of these taxes, reservation of their proceeds solely for the requirements of local bodies has now become urgent for stepping up their revenues. A higher share on motor vehicle taxes for municipalities and district local boards is called for; in the case of the share in land revenue for local bodies in rural areas a higher limit of 15 per cent has been proposed by the TEC. Bombay State, for instance, has announced its decision to allocate 30 per cent of land revenue to village panchayats in place of the existing 15 per cent and another 5 per cent to local boards for the next five years. In most other cases the proposed limit will prove high in relative terms. New sources of tax revenue that have been urged include duty on transfer of property at the rate of 2 per cent of capital value. For professional taxes in municipal areas minimum rates are strongly advocated and the present maximum is sought to be doubled to Rs. 500 per head per year. The growing scale of local expenditure makes this liberalisation essential.

The higher scales of expenditure on obligatory functions have increased the need for grants-in-aid and the TEC urges a bold policy subject to recognized principles. A general purpose grant is suggested for all local bodies, except bigger municipalities, to discharge minimum functions after insisting on a definite level of tax-income. A minimum period of three to five years is suggested for these basic grants to ensure availability of funds on a continuous basis. Specific conditional grants, however, stand on a different footing in view of their restricted purpose. Where loans prove inadequate, the case for subsidies would be justified on the test of urgency. The governing principle for the share of State Governments in local finance in a phase of expanding liabilities should be sufficiency of funds, provided the preliminary condition of utilising the funds effectively is assured.

TABLE B

REVENUE AND EXPENDITURE OF MUNICIPALITIES**

	Percentage Ratios of Revenue from Various Sources			Percentage Ratios of Expenditure under Various Items				
State	Taxation	Grants-in-aid	Non-Tax Sources other than Grants-in-aid	Administration	Service, Water, Drainage, conservancy etc.	Medical & Public Health	Roads & Bldgs.	Miscell. including Education
Bihar	51.3	22.9	25.8	8.4	55.1	1.7	14.7	20.1
Bombay	68.8	16.7	14.5	15.63	30.7	11.6	15.6	26.5
Madras (Pre-partition)	57.7	12.9	29.4	6.8	51.3	12.7	15.3	13.9
Uttar Pradesh	60.2	15.2	24.6	9.5	45.6	4.7	13.7	26.2
West Bengal	68.6	18.0	14.0	11.2	54.0	7.2	12.4	15.2
Hyderabad	76.5	5.1	18.4	25.7	64.3	..	7.1	2.9
Madhya Bharat	74.2	4.2	21.6	17.8	..	25.9	21.4	25.9
Travancore-Cochin	63.4	9.6	27.0	20.8	14.2	25.1	23.7	16.2
Delhi	57.1	3.8	39.1	6.5	46.2	8.8	14.8	23.7
Himachal Pradesh	90.5	8.3	1.2	23.9	38.9	..	27.4	9.8

**Note: Position for latest available year from 1948-49 to 1952-53.

The Business World

IMPROVEMENTS IN IMPORT POLICY

Considering the continuation of the liberal, though cautious trend introduced in the previous two half years, the attempt to maintain stability and continuity in the basic structure, the positive steps for promotion of industry and the absence of the apprehended restrictions in imports, the import policy of the Government of India for the second half of 1955, has been naturally welcomed by both trade and industry. In fact, with minor adjustments justified by the balance of trade position, the latest policy announcement represents practically an extension of the import policy for the period January-June 1955. It will be noted here that both imports and exports have been running at higher levels during the past half-year. While during the period January-June 1954, the value of imports aggregated Rs. 279 crores, during the past five months—January to May—the total value of imports amounted to Rs. 267.61 crores. Likewise, as against the total exports of Rs. 245.49 crores in the first-half of 1954, the aggregate value of exports during the first five months of 1955, has been Rs. 235.78 crores. There has been no significant change in the position of our sterling balances which, on May 31, 1955, stood at Rs. 712 crores, as against Rs. 733 crores on January 1. The decline of Rs. 21 crores, which has resulted from larger imports, is only a seasonal feature, common during this period of the year. However, in view of the increased foreign exchange commitments of the country, it has been necessary to be cautious and selective, and the area of liberalisation has been extended not so much by increasing quotas as by raising the minimum values of licences, the extension of the basic period over a wide range of items and further provision for imports from the dollar area.

Quotas have been increased for 41 items that are mainly needed for industry or for meeting increases in demand which have not been matched by corresponding increases in domestic production. These include antimony ingot, drills, house service meters, textile preservatives, writing and printing paper, shock absorbers, bleaching powder and cellulose transparent paper. The case of certain domestic articles, whose quality does not compare well with the imported ones, has been taken note of. The quota for zip fasteners, for instance, has been increased from 50 per cent to 100 per cent.

Quotas have been cut down for items, numbering 36, where rising production in industry has been able to take care of a larger portion of domestic demand. These include hacksaw blades, certain varieties of iron and steel chains, shuttles, polishes, sparking plugs, torch bulgs and certain chemicals. But the most notable items are coconuts, copra (or coconut kernel) and coconut oil, the quota for each of which has been uniformly curtailed from 100 per cent to 75 per cent. This uniform reduction of 25 per cent is, however, not maintained in the face value restrictions which have been imposed for these three items. For the January-June period, quota licences were granted subject to the provision that not more than two-thirds of the face value of licences could be utilised for the import of coconut oil and the balance one-third would be used for the import of copra (and kernel). On the other hand, according to the latest policy announcement, quota licences will be granted subject to the provision that not more than 50 per cent of the face value of licences can be used for both coconut oil and copra (and kernel). The object of Government's restrictions on these imports is to aid the producer and stabilise domestic prices. But does this move really provide the intended safeguard to the producer? Rather, does it not really benefit the trader and the middlemen in the calling?

It is gratifying to see that the slight dollar surplus has been taken advantage of for increasing the import quotas on six items and that, in respect of 49 items, a portion of the soft currency licences will be allowed to be utilised on dollar area. This will enable importers to extend the field of their choice and go in for the best qualities available.

The needs of industry have been prominently kept in view: 18 new items have been thrown open to actual users; these include white metal, fabricated iron and steel, aluminium collapsible tubes, road rollers, ball bearings of unrestricted category, jute bobbins, high tension insulators and trailers. The small importer and the new comer have also been taken care of. The scope of the newcomer scheme has been enlarged, and an important concession has been made to the small importer by fixing the minimum value of the licences at Rs. 500, irrespective of the licensee's entitlement on the quota basis. It has been recognised that the rigid application of the system of quota licences has, by circumscribing the opportunities for the exercise of commercial skill and enterprise, operated as a stumbling block for attempts on the part of small importers to improve their business. The Government has now sought to provide an opportunity to small licence holders to expand their business in certain specified items. But, will this concession really benefit small traders, seeing that imports of small quantities for such small amounts may prove uneconomic? For the benefit of the established importer, the basic period has been extended to 1953-54 in as many as 92 items.

The policy of controlling prices of refrigerators and air-conditioners, introduced during the last half-year, has it is claimed, met with success, with the result that the arrangement has now been extended to electric shavers, the Government also seems to be convinced that the policy of canalisation of imports through official or officially-sponsored agencies, which was adopted for the previous period and applied to the imports of raw silk, caustic soda, soda ash and sodium carbonate, has been successful in practice. Accordingly, the Central Rubber Board, is hereafter to be in sole charge of import of raw rubber. The aim of the Government is to ensure equitable distribution at steady prices. Monopoly trading, however, beneficial in this particular case, is objectionable to the extent it involves elimination of the normal channels of trading and distribution.

There is another aspect concerning the policy to which business men have drawn attention. The system of "ad hoc" licences is being extended and, it has been pointed out, unless the criteria governing the issue of such licences are formulated and publicly notified, there is room for grievances that in the grant of "ad hoc" licences the administration is acting in an arbitrary manner. Another pertinent criticism advanced is against the imposition of multi-restrictions on the quality and quantity of imports which, it is contended, will complicate the trade and create unforeseen difficulties.

BUSINESS NOTES

ORDINANCE ON STATE BANK ACT

THE STATE Bank of India (Amendment) Ordinance, 1955, promulgated by the President on June 23 last, is not a substantive but only an enabling measure, which is intended to facilitate the transfer of the assets and liabilities of the Imperial Bank of India to the State Bank of India in respect of the former's branches situated in foreign countries by a procedure whose legality will be beyond question. There are also other ancillary objects in issuing the Amendment Ordinance. The Imperial Bank of India has eleven branches in foreign countries, three of which are situated in London, Rangoon and Colombo and eight are situated in Pakistan. Expert legal opinion particularly in these countries has revealed that transfer of the assets and liabilities of Imperial's branches in these countries to the State Bank in pursuance of an Act of the Indian Parliament will be doubtful validity. The straight course, therefore, is to allow the transfer in question to take place by Imperial's branches making the transfer in conformity with the provisions of the laws of the respective foreign countries, where the branches are located. There is also the minor, but no less important, legal question of obtaining a variety of licences and authorisations for the State Bank of India from the concerned authorities in certain foreign countries before it can commence business within their territories.

The effect of the Ordinance will be that until the requisite legal documents are executed for the aforementioned transfers and until authorisation is procured for the State Bank of India to transact business in the specific foreign countries the Imperial Bank will be kept alive. Its life will not become extinct on July 1, 1955, as contemplated by the State Bank of India Act. All transfers and other schemes within India will remain unaffected by the ordinance and will proceed according to the original schedule. The vesting of Imperial's shares in the Reserve Bank and payment by the Reserve Bank to the shareholders of the Imperial Bank will be effected as provided by the Act prior to the amending Ordinance.

THE NEW LOAN:

The Central Government's announcement of June 24 last about the floatation of the new loan has come according to market expectations. This loan described as the national Plan Bonds (Second series 3½ per cent 1965) is different in many vital respects from last year's National Plan Loan 3½ per cent 1964. Last week's loan will be open for subscription for a definite period July 1 to July 5, 1955, while the National Plan Loan was kept on tap for a period of three months and succeeded in garnering Rs. 158 crores. It was a combined cash issue for the loan programmes of the Central and State Governments and of the total subscriptions Rs. 25.5 crores were allocated to the State Governments.

The National Plan Bonds, Second Series 3½ 1965, which mature and become redeemable on July 1, 1965, will carry interest, subject to income tax. The redemption yield works at 3.68 per cent—the same as on last year's National Plan Loan, but lower than the yield of 3.80 per cent on the National Plan Bonds, First Series. The present loan which is purely a Central Government floatation has an issue price of Rs. 98-8 per cent as against the issue price of Rs. 98-4 for the National Plan Bonds, First Series. This Second Series is a cash-cum-conversion issue and there is the offer to accept conversion of the Government of India 2½ per cent 1955 loan or the 4½ per cent 1955-60 loan whose combined outstandings are of the order of Rs. 69 crores. This year's loan programme of the Government envisages a target of Rs. 125 crores and considering the timing of the present loan in the slack season it is expected to net in a good part of the total. It is reasonable to presume that the Government will come out with the next loan in the later part of the current year.

REPORT ON CUSTOMS ADMINISTRATION:

The combined review of the customs administration in India during the financial years 1952-53 and 1953-54, issued by the Central Board of Revenue, revives this annual series of departmental publication after its suspension in 1,941.42. This is an appropriate point of time to decide whether mere revival of the prewar practice of publication is of much practical value. The inordinate delay in this publication, after the customs duties if not the bulk of the customs procedure and law have undergone great changes, makes it of little more than academic interest. When the country has already passed from the period of high export duties and tight control of imports as well as exports to a new and more normal phase of trade liberalisation, this first review after the war amouts to little more than a post mortem examination.

From the peak collection figure of aggregate customs revenue collection of Rs. 232.03 crores in 1951-52, there was a steep decline in 1952-53 to Rs. 175.61 crores which was carried still downwards to Rs. 159.37 crores in 1953-54. Customs revenue represented 45 per cent of the total Central Government revenue from taxation in 1952-53 and 44 per cent in 1953-54. The new taxation policy already recognizes that the role of customs in tax revenue is dwindling and in future greater reliance is to be placed on excise duties. The values declared by importers in Bills of Entry disclose that relatively to 1951-52 the average value of imported merchandise declined by only 1.1 per cent in 1952-53, whereas in 1953-54 there was a steeper decline of 11.2 per cent. In the case of exports, the values declared by exporters in Shipping Bills show a great fall of 30 per cent in 1952-53 as compared to the previous year, while in 1953-54 the decline amounted to 6 per cent. These trends reflect the price changes after the Korean boom receded.

On the administration of the law and procedure governing customs, the comparative figures, in terms of numbers of cases detected, adjudicated or carried to the stage of punishment, hardly give the correct idea of the quality and efficiency of administration. But it would appear that the test task of detecting the smuggling of gold establishes the fact that the administration leaves much to be desired. This report throws no light on the actual results of the employment of the the new electronic device to detect smuggled gold and makes a bare statement that the device was experimented upon. The volume of gold smuggling corresponds with the disparity in the Persian Gulf prices and Indian prices. This is illustrated by the higher seizure of gold in 1953-54 than in the previous year, the total quantity seized in that year being 55,500 tolas value at Rs 44 lakhs. The new amendment to the Sea Customs Act, which seeks to throw the entire burden of proof of bona fide possession of goods on the person from whom they are seized by the customs authorities on suspicion, in flagrant disregard of the basic principle of criminal jurisprudence, is in one sense a commentary on the efficiency of the customs administration.

INTERNATIONAL COMMERCIAL ARBITRATION

THE BRIEF report of the special committee of the International Chamber of Commerce, set up at the recent Tokyo session, to investigate the problem of

providing a machinery for the countries of the ECAFE region for international commercial arbitration, has reiterated the basic principle that the very idea of arbitration should create greater allegiance to the decisions of the arbitration authority and that the legal aspects of the question need not be raised, as far as possible, in considering the potentialities of the machinery. These latter should have only a secondary place because the very approach to arbitration implies a keen desire to eschew the protracted, expensive and very often technical forum of law courts. Parties to commercial disputes are interested in amicable and equitable settlements and the idea of a legal victory is far from their minds.

The Committee's report, it must be stressed, hardly suggests any vital departure from the pattern of arbitration organizations which have been functioning in Western countries. Freedom of choice for the parties in evolving the rules governing arbitration and trust in the capacity of the arbitration authority to grant impartial awards are the very corner-stones of the arbitration organisation. For this purpose national centres should be established in the ECAFE countries, but the idea of the International Chamber of Commerce coming into the picture in exceptional cases as a forum of the last resort should not be ruled out. The trend of thought which discloses disapproval of this role of the ICC is deprecated by the committee, and as a via media and a measure of reassurance the creation of an Asian Section of the Arbitration Court of the ICC has been urged by it. Much of the discussion of the committee has centred round the legal aspect of arbitration awards. In particular, an insurmountable obstacle is presented to the final settlement when the decision of the arbitration agency is rejected by a party and its execution becomes impossible by reason of technical issues relating to jurisdiction. For over a quarter of a century enthusiasts of international commercial arbitration have tried to see if co-ordination of law and procedure could be secured in some broad measure. Their efforts have proved fruitless.

A fool-proof system cannot be devised. The legalistic aspect may arise in exceptional cases, but advocates of arbitration ought not to allow themselves to be obsessed with it. The agreement which the Arbitration Tribunal of the Indian Chambers of Commerce and Industry reached recently with American Arbitration Association rests on the sound principle that a normal machinery for smooth and expeditious settlement of commercial disputes by arbitration is the best means to cultivate mutual trust and to promote trade.

INVESTMENT AND TAXATION

MR. K. R. P. SHROFF'S analytical survey of the state of the stock market in 1954, in the course of his presidential speech at the last week's annual session of the Bombay Stock Exchange, could not leave out a critical examination of the impact of taxation on investment. The stability, which the stock market regained last year after a long spell of declining share prices, was the direct outcome of the sound health of the economy, acquired on the return to normalcy, and there was every indication that this stability could be maintained and the stock market geared to the requirements of developmental investment, provided, of course, sound and realistic economic policies were pursued.

A correct policy on taxation of personal incomes was an integral part of these sound policies, but there were portends in the situation that this very precautionary policy would be overlooked. The danger of a misdirected tax policy with regard to income taxation now really looms large because of the lead given by the Taxation Enquiry Commission to the school of thought which believes in restraint on consumption to stimulate savings and investment. Mr. Shroff recalled the conclusion of a study made by the Reserve Bank to the effect that 59.5 per cent of the investors in stocks and shares are earners of income below Rs. 8,000 per year and it is erroneous to believe that restraints on the consumption of these middle class investors would necessarily result in saving and larger investment. On the contrary, there was a positive danger that depressed standards of consumption which would follow higher taxation would depress production by reducing effective demand and bring about an overall reduction in real national income. Rising production is fostered in a climate where it is absorbed by higher consumption. Mr. Shroff was highly critical of the taxation policy on the corporate sector and he made a pointed reference to the retrograde measure aimed at taxing retained earnings. An exhaustive study of joint stock company finance by the Reserve Bank brought out the extent of retained earnings. Out of the gross profits of companies about 30 per cent were eaten up by taxation and only 24 per cent were available for dividend distribution after setting apart as high a proportion as 46 per cent as savings for re-investment. Taxation of these savings in the hands of shareholders, in case of the liquidation of the concern, was nothing short of taxation of capital.

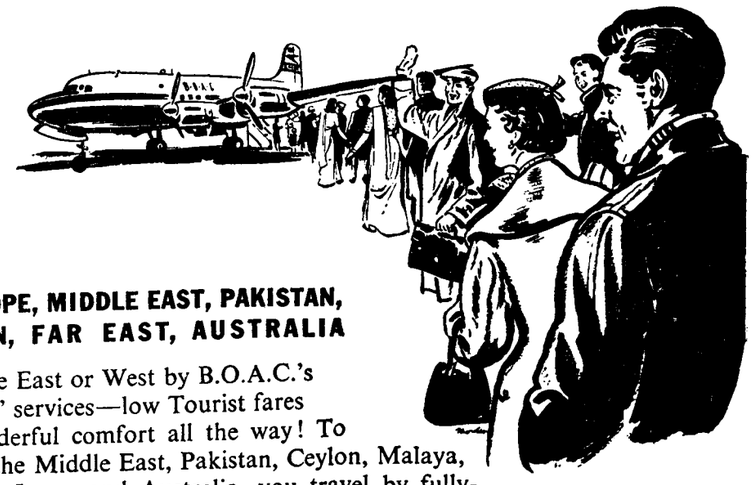
GROWTH OF TOBACCO TRADE

It can hardly be claimed that the official report on the marketing of tobacco in India is free from the common drawback of reliance on old and somewhat out-dated statistics which detract from the real utility of these reports. Last year's plight of the tobacco trade and the emergency measures which were adopted to bring partial relief specially in Andhra State would make a cold analysis of the figures for an earlier period of little practical interest. A full appreciation of the growth of marketing techniques for tobacco in this country during the post-war decade must await the publication of the report. In the mean time, such information as is available from the scanty Press summary gives a rough idea of the main trends.

Total production of tobacco of all grades and varieties in this country was of the order of 675 million lbs. in 1949-50. Of this, 25 per cent constituted the cigarette types, another 25 per cent hookah types, a little less than 20 per cent bidi types and the rest was intended for requirements of cigars, cheroots and snuff. Bulk of this output is consumed locally and by normal international criteria this bulk does not qualify for commercial manufacture of standardized tobacco products. The regional distribution of tobacco cultivation discloses a share of 42 per cent for pre-partitioned Madras State, 29 per cent for Bombay and 12 per cent for U.P., the remaining 17 per cent being scattered over the rest of the country. From the present position of the export of virginia tobacco to the U.K. and on a lesser scale to certain countries of Europe as also its consolidation, Andhra assumes great importance because it is in this State that the production of cigarette types is concentrated. Compulsory grading of Andhra Virginia tobacco under the auspices of the special inspectorate at Guntur and the confidence generated by the Agmark for graded tobaccos has no doubt helped the export trade to hold the markets. From last year's experience it would appear that storage facilities are too inadequate to prevent deterioration. The Central Tobacco Committee's work needs to be judged also from the angle of improvements offered to varieties other than cigarette types.

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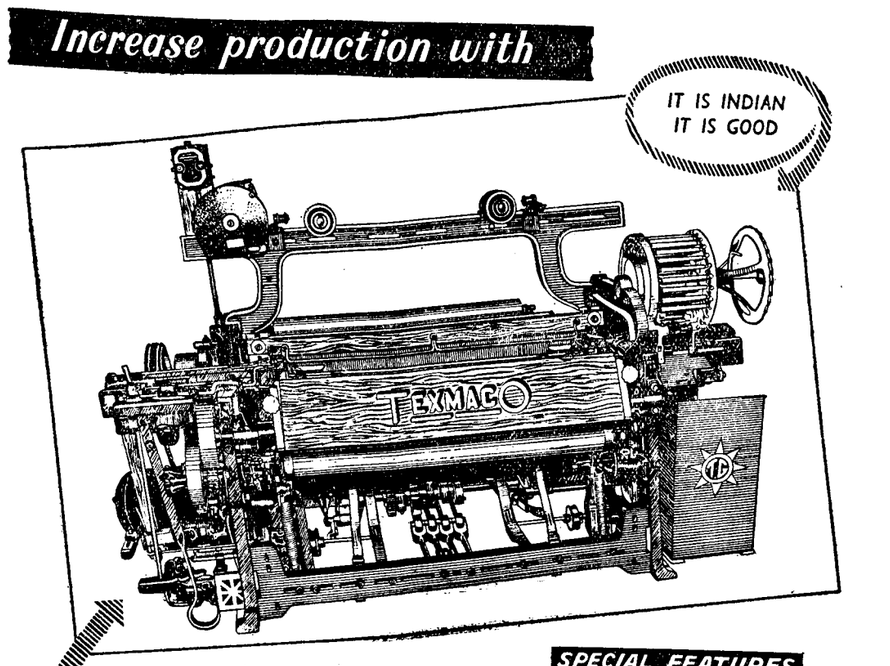
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COMPANY AFFAIRS

MAHINDRA & MAHINDRA'S BOLD EXPANSION

Messrs. Mahindra and Mahindra, Limited, who have been converted into a public company from June 15, 1955, are launching an ambitious programme of expansion of their automobile project. The requisite licence from the Central Government has been duly obtained. The Company has earned reputation during the last 10 years in the automobile industry of this country in particular by its programme of assembly of jeep cars. The new project of the Company envisages entry into the second stage of manufacture of jeeps. For this purpose it has retained the technical and financial collaboration of Willys Overland Motors Inc. of Toledo (Ohio), U.S.A. Besides jeep cars, the Company has a programme of the manufacture of tractors, trailers, textile machinery, diesel engines and so on. This enterprise has good potentialities of development.

Under the expanded scheme the Company's authorised capital will be of the order of Rs. 1.50 lakhs divided into 12,50,000 ordinary shares of Rs. 10 each of a total value of Rs. 125 lakhs and 25,000 Redeemable Cumulative Preference Shares of Rs. 100 each of the total value of Rs. 25 lakhs. The Issued Capital will consist of 3,33,618 ordinary shares of an aggregate value of Rs. 33,36,180, of which the present issue will be in respect of 2,16,382 ordinary shares of the total value of Rs. 21,63,820. Besides these the present issue includes all the redeemable cumulative preferecne shares. After deducting the shares which the directors and their friends have agreed to take up, the following shares in the present issue will be offered for subscription to the public: 1,56,382 ordinary shares of Rs. 10 each of the total value of Rs. 15,63,820 and 13,000 redeemable cumulative preference shares of Rs. 100 each of the total value of Rs. 13 lakhs. Full particulars of the capital structure and all other relevant matters will be found elsewhere in this issue.

The subscription list will open from July 11, 1955, till July 13, 1955, both days inclusive.

THE METAL BOX

The Metal Box Company of India Ltd. was able to achieve an expansion of about 10 per cent on the previous year's sales volume of Rs. 321.05 lakhs. The profit at Rs. 22.02 lakhs, after providing for depreciation and taxation has gone up by about 33 per cent over the previous year's Rs. 16.55 lakhs. The company is hopeful of bright prospects as small branded consumer packages for foodstuffs etc. are increasingly becoming popular. There was, however, felt a shortage of indigenous tinplate, consequently it was imported from America.

A sum of Rs. 9.75 lakhs has been provided for depreciation against last year's 8.86 lakhs and Rs. 13.25 lakhs have been provided for Taxation against Rs. 9.41 lakhs during the previous year.

The dividend on the Ordinary Shares has been maintained at 10% since 1951, but during the year under report the directors have recommended the payment of 12½ per cent. A sum of Rs. 5.00 lakhs has been separated out to be transfered to General Reserve against Rs. 3.50 lakhs during the previous year.

BALMER LAWRIE

Trading generally improved for M|s Balmer Lawrie and Co., Ltd., a Managing Agency, and the income from sales and service increased by 13 per cent from Rs. 993.54 lakhs in the previous year to Rs. 1,122.75 lakhs during the year ended December 31, 1954. The income from commissions too has gone up from Rs. 17.81 lakhs to Rs. 22.98 lakhs. In line with sales the profits at Rs. 14.47 lakhs have improved by 17 per cent as compared to last year's 12.79 lakhs.

Fairly good results were shown by the Bengal Paper Mills, the Bengal Flour Mills and the Bridge and Roof Company while disappointment had to be faced from the Indian Galvanizing Company and the British India Electric Construction Company. A provision for Bad and Doubtful Debts has been increased by Rs. 2 lakhs to cover the doubtful portion of the loan made to B. I. Electric Construction Company.

The provision for depreciation has been increased to Rs. 3.30 lakhs against Rs. 2.70 lakhs during the previous year. The provision for taxation remains almost unchanged at Rs. 6.27 lakhs.

A Reserve Fund of Rs. 5.01 lakhs, almost equal to the last year's Rs. 5.00 lakhs, has been separated out and an Ordinary Dividend of 8 per cent has been proposed to be given against 15 per cent including 7½ per cent Bonus last year.

	(Rupees in lakhs)		
Year ended December 31,	**1954**	**1953**	**1952**
Sales and Service	1,122.75	993.54	971.04
Commission	22.98	17.81	19.56
Stock	137.85	169.61	104.67
Trading expenses and purchases	1,015.68	977.84	859.36
Salaries and wages	74.95	78.68	81.83
Depreciation	3.30	2.70	4.16
Taxation	6.27	6.27	8.02
Profit*	14.97	12.79	13.46
Reserve Fund	5.01	5.00	6.00
Reserve for bad and doubtful debts	2.00	..	..
Dividend (rate per cent)	8	15†	15†
Balance carried forward	5.50	5.44	5.15

* After providing for depreciation and taxation.
† Includes a bonus of 7½ per cent.

THE SIMPLEX

Increased sales of cloth and yarn at Rs. 245.22 lakhs by the Simplex Mills Company Ltd., for the year ended March 31, 1955, against Rs. 232.19 lakhs for the previous year have resulted, instead of increased profits, in an actual decline in profits. The decline is fairly steep. One major factor for this result is an exceptionally higher bill for salaries and wages. A sum of Rs. 6.23 lakhs has been debited to salaries and wages in the year under review for an adjustment in the Dear Food Allowance with retrospective effect from May 1, 1953, and for additional bonus for the year 1952, as a result of an Award of the Labour Appellate Tribunal. Amount spent on repairs and renewals is also much higher at Rs. 5.37 lakhs against Rs. 3.58 lakhs last year, as it was necessary to carry out substantial repairs to the Mills buildings.

A comparatively smaller amount—Rs. 2.85 lakhs—has been provided for Depreciation against Rs. 5 lakhs last year. The provision for taxation too is lower at Rs. 2.00 lakhs against Rs. 5.00 lakhs during the previous year.

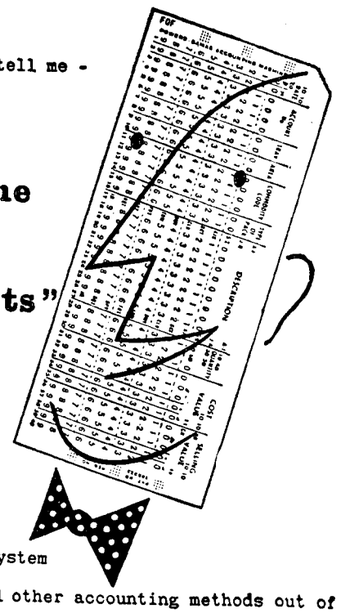
A dividend of 20 per cent has been proposed to be given against a dividend of 22 per cent last year and 30 per cent a year before.

	(Rupees in lakhs)		
Year ended March	**1955**	**1954**	**1953**
Sales of cloth and yarn	245.22	232.19	217.40
Stock of cloth and yarn	46.19	34.00	28.47
Salaries and wages	70.10	58.54	52.77
Depreciation	2.85	5.00	5.00
Taxation	2.00	5.00	6.00
Profit*	10.34	19.45	18.99
Dividend (rate per cent)	20	22	30
Reserve Fund	..	0.05	6.00
Carried forward	0.16	0.22	0.36

* Before providing for Depreciation and Taxation.

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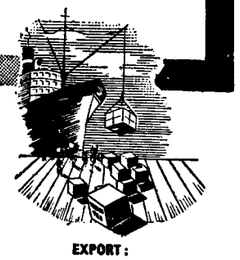
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SITUATION VACANT

Required by a leading and old-established group of industrial and commercial organisations in North-East India, a man of first-class ability and personality to fill the post of Labour Adviser. Candidates should have a good University degree, preferably in economics or in law and a diploma in either social science or industrial administration or other equivalent qualification. They should also have a thorough knowledge of labour legislation and its practical application and at least 10 years' practical experience of personnel management and industrial relations under Indian conditions. A sound command of English is essential and a good working knowledge of both Bengali and Hindi is desirable. Age group 35-45 preferred. Salary will be commensurate with age, qualifications and experience, and the post carries Provident Fund benefits. Candidates should submit full details of educational qualifications and practical experience to Box No. 101: c/o 'The Eastern Economist' 52, Queensway, New Delhi-1. Only the applications of those candidates possessing the requirements enumerated above will be entertained.

India's Tea- India's Wealth



EXPORT:

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

TEA BOARD INDIA

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

PST 136

This is an advertisement and not a Prospectus. A formal Prospectus dated 28th June 1955 has been prepared and filed with the Registrar of Companies, Bombay.

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in giving this consent, the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

A Licence (No. L|11|6|54) has been obtained from the Central Government for effecting a substantial expansion to this industrial undertaking of which a copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in granting this Licence, the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

APPLICATION WILL BE MADE TO THE STOCK EXCHANGES FOR PERMISSION TO DEAL IN THE SHARES.

THE SUBSCRIPTION LIST WILL OPEN ON THE 11TH JULY, 1955, AND, IN ACCORDANCE WITH THE REQUIREMENTS OF THE BOMBAY STOCK EXCHANGE, WILL REMAIN OPEN TILL 13TH JULY, 1955 (INCLUSIVE).

MAHINDRA & MAHINDRA LIMITED

(Incorporated under the Indian companies Act VII of 1913).

SHARE CAPITAL

Authorised Capital Rs. 1,50,00,000

DIVIDED INTO

12,50,000 Ordinary Shares of Rs. 10|- each	Rs.	1,25,00,000|-
25,000 Redeemable Cumulative Preference Shares of Rs. 100|- each	Rs.	25,00,000|-

ISSUED CAPITAL

3,33,618 Ordinary Shares of Rs. 10|- each	Rs.	33,36,180|-

PRESENT ISSUE

2,16,382 Ordinary Shares of Rs. 10|- each	Rs.	21,63,820|-
25,000 Redeemable Cumulative Preference Shares of Rs. 100|- each	Rs.	25,00,000|-

Out of the above issue the Directors and their friends have agreed to take up 60,000 Ordinary Shares and 12,000 Redeemable Cumulative Preference Shares and the same will be allotted to them against payment cash. After deducting the abovementioned shares from the said present issue the capital to be offered to the public is :—

1,56,382 Ordinary Shares of Rs. 10|- each ..	Rs.	15,63,820|-
13,000 Redeemable Cumulative Preference Shares of Rs 100|- each ..	Rs.	13,00,000|-
Total ..	Rs.	28,63,820|-

The Shares to be issued will qualify proportionately for dividends for the year ending 31st October, 1955.
The Shares are payable as follows :—

ORDINARY SHARES

On application ..	Rs. 2|8|-	per share
On allotment ..	Rs. 7|8|-	per share

PREFERENCE SHARES

On application ..	Rs. 25|-	per share
On allotment ..	Rs. 75|-	per share

PREFERENCE SHARES

The Company is advised that the Redeemable Cumulative Preference Shares are Approved investments within Section 27A of the Insurance Act, 1938.

The Redeemable Cumulative Preference Shares, as provided in the Articles of Association of the Company, carry a fixed cumulative preference dividend at the rate of 6% per annum without deduction of Income-tax on the capital for the time being paid up thereon, and the right in a winding-up to payment of such capital in priority to the Ordinary Shares, but not any further right to participate in profit or assets. The Company shall be entitled on or at any time after the 1st day of November 1965 to redeem the whole or any part of the said Preference Shares for the time being issued and outstanding out of any monies which may lawfully be applied for the purpose at par plus a premium of Rs. 5|- per share upon giving to the holder of the shares to be redeemed not less than three months' previous notice in writing.

DIRECTORS:

K. C. MAHINDRA—3, Jorbagh Nursery, **New Delhi,** Merchant, (Chairman).
RAJA MAHARAJ SINGH—16, Mall Avenue, **Lucknow,** Ex-Governor, Bombay State.
SIR DHIREN MITRA, C.B.E.—2, Hungerford Street, **Calcutta,** Industrialist.
ISHER DAS SAWHNEY—84, Rajpur Road, **Dehra Dun,** Industrialist.
JAL H. MEHTA—Carmichael House, Carmichael Road, **Bombay,** Mill Owner and Merchant.
ALOKE K. MITRA—13|1, Ballygunge Park Road, **Calcutta,** Executive Director.
H. C. MAHINDRA—65, Napean Sea Road, **Bombay,** Executive Director.
KESHUB MAHINDRA—45, Napean Sea Road, **Bombay,** Executive Director.

BANKERS

Lloyds Bank Limited.

BROKERS

Batlivala & Karani—New Union Building, Dalal Street, Bombay.
Lewis & Jones—Bank of Baroda Building, Apollo Street, Bombay.
Place, Siddons & Gough—6, Lyons Range, Calcutta 1.
Dalal & Co.—National Insurance Building, Post Box No. 149, Madras 1.

SOLICITORS

Little & Co., Central Bank Buliding, Fort, Bombay.

AUDITORS

A. F. FERGUSON & CO., Allahabad Bank Building, Apollo Street, Bombay.

REGISTERED OFFICE

Gateway Building, Apollo Bunder, Bombay 1.

BRANCHES

CALCUTTA—Hall & Anderson Building, Park Street.
NEW DELHI—Phelps Building, 9A, Connaught Place.
MADRAS—Speed-A-Way Building, 35|5, Mount Road.

TECHNICAL CONSULTANTS

Willys-Overland Export Corporation, Toledo 1, Ohio, (USA).
John Inglis Co., Toronto, (CANADA).
Mr Cecil Johnson, Johnson Associates, Taledo, Ohio, (USA).

MANUFACTURE OF JEEPS IN INDIA.

The Company has acted as the sole representative of the Willys Overland Motors Inc. of Toledo (Ohio), U.S.A. since 1945. Steps were taken early in 1948 to organize an assembly Plant in Bombay thereby introducing knowledge of assembly operations as well as affording opportunity for studying progressive manufacturing possibilities. The Assembly Plant located in the Mazagon Dock area is today one of the most efficient and economic Assembly units in the worldwide Willys organisation. After exhaustive investigations ranging over three years by several teams, comprised of engineers from Willys and the Company a detailed plan was developed for the manufacture of Jeeps in India.

The Company's proposals do not envisage the establishment of a single, self-contained and integrated factory on a large scale. Our technical experts came to the conclusion that by drawing up on spared resources in the engineering industries, a co-ordinated manufacturing organisation can be set up and the Jeep progressively built in India without large capital investment initially.

Willys-Overland Export Corporation have entered into a 10 year licence arrangement providing for the grant of exclusive right to the Company to manufacture and sell in India the 4-wheel drive Jeep and other vehicles, furnishing the requisite technical assistance and also giving the Company full benefit of their research and development.

Willys have further agreed to extend a long term loan to the Company to the extent of $230,000,00 or 10% of the total subscribed capital of the Company. It is contemplated that in course of time the Company will be able to negotiate the export of Indian-built Jeeps to countries adjoining India.

HISTORY AND BUSINESS

The Company was incorporated at Bombay on the 2nd of October, 1945, as a private company for the purposes set forth in its Memorandum of Association. The main objective before the Company was to participate in the building of a sound industrial and agricultural economy in the country. What has been concretely achieved in these fields is briefly summarised below.

1. **JEEPS:**—As sole representatives of the manufacturers, the Company has established a sound reputation for service and sales in respect of this famous vehicle and its allied range of utility models, namely, the Utility Wagon, the 4-wheel drive truck, Cargo Personnel Carrier Jeep Fire Engine, Jeep Aircrash Tender and ambulance unit.

Hitherto the import quotas have been restricted to about 900|1000 Jeeps a year and it was only in the year 1954, after Government approved the Company's manufacturing plans, that the import quota was liberalised. During the manufacturing period of three years, 1955-58, Government has agreed to permit imports up to 2500 units a year and sanctions for even larger numbers, it is hoped, will be forthcoming on request. In 1953-54 the Company successfully built about 1650 units. During the six months of the current year (1st November 1954—30th April 1955) the Company has sold over 1100 Jeeps and it is expected that this rate of turnover will be sustained during the following period. The Assembly Plant today has facilities, not only for meeting the requirements of the initial outturn of 2000|2500 units, but it can handle almost double

As part of the programme of progressive manufacture of Jeeps in India and in the ordinary course of business the Company has recently purchased a factory at Bhandup in Greater Bombay, consisting of Plant, machinery and equipment suitable for manufacture of automobile parts. The owner of the premises has granted a lease of the premises and an option to the Company for an extension of the lease for a further period. The Company has already commenced operations in this factory.

2. **TRACTORS** :—The Company has linked up with the famous firm of **David Brown** of United Kingdom. Experience in the short period of two years has proved both the reliability and suitability of the David Brown range of tractors for most of the soils in India and the Company has arranged with David Brown the question of progressive manufacture of their tractors and implements in India.

3. **TEXTILE MACHINERY:**—The Company sponsored the floatation in November, 1946 of MACHINERY MANUFACTURERS CORPORATION LIMITED for the specific purpose of manufacturing medium light industrial equipment, in particular textile machinery. Arrangements were successfully concluded with two American firms of repute for technical collaboration. The Company is the Managing Agent of this Corporation.

The M.M.C. Carding Engine has been very exhaustively tested at a number of critical installations throughout the country and it is a source of gratification that it has proved not only equal in performance and efficiency to any imported product, but that it is being retailed in the market at prices lower than the cost of a British Carding engine of equivalent specifications.

4. **DIESEL ENGINES:**—The Company has in collaboration with National Oil and Gas Co., Ltd., of Ashton (U.K.) and Turner, Hoare and Co., Ltd., (a subsidiary of the Company) floated the INDIAN NATIONAL DIESEL ENGINE COMPANY LIMITED (INDEC) with a substantial financial participation of the British Group. INDEC has undertaken to manufacture diesel engines to "National" design and it is hoped that the first Indian made horizontal diesel engine will be on the market by end of July 1955.

5. **TRAILERS:**—The Company possesses a separate well-equipped trailer manufacturing shop at Worli (Bombay) where trailers ranging from 10 cwt. to 1½ tons are manufactured, including the well-known Jeep trailer. A close technical collaboration has been agreed upon with the British Trailer Company, one of the leading trailer manufacturers in Europe.

6. **STEEL:**—The Company, by virtue of special arrangements with manufacturers, has established a premier position in the import of Steel. The Company represents the renowned British firm of Richard Thomas and Baldwin on an exclusive basis and also holds exclusive representation from VALOR, one of the three French Steel Groups, for Plates, Bars, Sheets and Structurals, as well as from SIDELOR for Rails and Sleeper Bars. From Japan the Company has received exclusive offers of Plates and has succeeded in securing large tonnages for the Iron and Steel Controller. The Company has also interested itself in quoting for the steel coming to India under the T.C.A. from America and in such dealings arrangements have been concluded with Tata Incorporated in New York to handle our quotations as well as secure, where possible, offers from U.S. Steel Companies.

7. **GENERAL SALES AND SERVICE:**—The increasing volume of sales in the many branches of the Company's activity—Jeeps, Tractors, Trailers, Steel—has been achieved by a consistent endeavour to improve the marketing channels and by strengthening the after sales service facilities. In addition to having branch offices in Calcutta, Delhi and Madras the Company has a very efficient chain of distributors, dealers and sub-dealers throughout the country. Regional field officers and inspectors are constantly on tour providing sales and technical guidance as well as check on the distribution efficiency of the area. A mobile tractor school is in operation throughout the year at various centres; Jeeps service is extensively provided through distributors as well as by direct field inspectors. Stockist arrangements for steel supplies have been completed for Bombay and Calcutta.

FINANCIAL INFORMATION

AUDITORS' REPORT:—

The following are extracts from the report of the Company's Auditors, A. F. Ferguson & Co.:

"The profits of the Company for the three years were as set out hereunder and have been arrived at after charging all expenses of working and management and after making such adjustments as are, in our opinion, necessary:—

	Year ended 31st October: 1952	1953	1954
Income			
Sales	1,51,50,411	2,66,99,841	8,61,95,802
Commissions	1,48,276	1,10,044	1,22,583
Managing Agency Commission and Allowances	39,406	37,304	36,000
Income from Investments	2,52,011	1,17,282	58,594
Interest	9,584	1,912	534
Miscellaneous	36,102	29,489	67,193
	Rs. 1,56,35,790	2,69,95,872	3,64,80,706
Expenditure:			
Cost of Sales	1,32,55,635	2,37,40,866	3,13,37,359
Salaries and Wages	9,92,423	13,47,347	18,15,422
Expenses	10,03,746	14,56,008	20,07,494
Depn. as charged by the Company	92,520	1,04,733	1,03,959
	Rs. 1,53,44,324	2,66,48,954	3,52,64,234
Profit before Taxation	Rs. 2,91,466	3,46,918	12,16,472
Appropriation:			
Provision for taxes	1,00,000	1,30,000	5,30,000
Investment Reserve	2,650	..	..
Special Reserve	23,355	45,281	75,000
General Reserve	..	83,900	1,50,000

"We further report that the dividends paid by Mahindra and Mahindra Limited in respect of the three years ended 31st October, 1954, on its issued share capital were as follows:—

Year ended	Share Capital	Dividends Rate	Amount
31-10-1952	2,400 Ordinary Shares of Rs. 500 each	13%	1,56,000
31-10-1953	2,400 Ordinary Shares of Rs. 500|- each	14%	1,68,000
31-10-1954	3,000 Ordinary Shares of Rs. 500|- each	28.6%	4,29,000

"The above dividends were paid free of tax and were paid out of current profits."

PROSPECTS

The trading results of Mahindra and Mahindra Ltd., for the last three years ended 31st October, 1954, reflect the increase in the volume of sales, particularly of Jeeps, Steel and Trailers:—

TURNOVER:—

1951-1952	1952-1953	1953-1954	Six months 1-11-1954—30-4-1955	
Jeeps and Spares				
Rs. 99,58,759	1,02,46,712	1,54,63,023	1,43,42,620	appr.
Tractors and Spares				
,, ..	1,37,759	14,98,110	7,71,714	,,
Trailers				
,, 2,27,094	6,23,676	11,09,833	7,54,662	,,
Steel				
,, 29,43,087	1,22,55,852	1,20,87,232	84,47,991	,,

On the basis of the Auditors' report the earnings also show a steady increase over the last three years. It should be added that dividend policy in the past has been confined strictly to the declaration of the minimum distribution permissible under Section 23A of the Income Tax Act. Projects for development and expansion now in hand should on completion, prove of benefit to the Company hereafter. While the progressive manufacture of Jeeps to be completed by 1958 is geared to the initial production output of 2,500 units annually, it is probable that the market in India will expand to a level demanding more than 2,500 units a year. As Government has agreed to issue import licences to the Company up to 2,500 units a year during the three-year manufacturing period, it is hoped that the offtake of Jeeps will, from 1955, show an increase every year. Proforma Profit and Loss account for the six months ended 30th April, 1955, has been prepared and is summarised as follows:—

"Statement of Profits for 6 months to 30th April, 1955."

INCOME		
Sales	Rs.	2,45,67,317
Commissions	,,	150,550
Managing Agency Allowances	,,	18,000
From Investment	,,	12,458
Interest	,,	278
Miscellaneous	,,	70,813
TOTAL	Rs.	2,48,19,416
EXPENDITURE		
Cost of Sales	Rs.	2,16,51,524
Salaries and Wages	,,	9,47,263
Expenses	,,	10,48,417
Depreciation	,,	51,980
TOTAL	Rs.	2,36,99,184
Profit before Taxation		11,20,232

During the six months of the current year (November 1954—April 1955) about 1,100 Jeeps have been sold as against 1,600 units in the whole year (Nov. 1953—31st Oct. 1954). For the year ended 31st October,

1954, the net profit amounted to Rs. 6,73,346|- after providing for depreciation and taxation. Allowing for a dividend of Rs. 1,50,000|- on cumulative preference shares of the value of Rs. 25 lakhs, the balance net of Rs. 5,23,346|- from 1953-54 profits without taking into account the results of earnings from sales of larger number of Jeeps and increase in turnover of Trailers, Steel, Tractors, etc., would be sufficient to pay a dividend of over 9 per cent free of tax on the proposed ordinary share capital of Rs. 55 lakhs. The proforma accounts for the six months ended 30th April, 1955, reveal even a better position and if the rest of the Company's current year yields similar results there would be sufficient to pay a dividend of more than 10 per cent free of tax on the ordinary share capital for the current year. It is accordingly anticipated that the Company will be able to distribute a dividend of 10 per cent free of tax on the ordinary share capital of the Company. This rate of return is specifically referred to herein for ready reference and should not be construed as a definite indication that such a dividend will in fact be declared as it is obvious that the Company's dividend paying capacity hereafter must be contingent on the profits actually made which, in their turn, are naturally liable to be affected by conditions ruling at the time.

GENERAL INFORMATION

The minimum amount upon which the Directors will proceed to allotment is Rs. 40 lakhs.

Until the 15th day of June, 1955, the Company was a private Company with its issued capital consisting of Ordinary Shares of Rs. 500|- each and employee Ordinary Shares (Series "B") of Rs 10|- each. The Company had by that date an issued capital of the face value of Rs. 16,68,090|- all of which had been paid for in cash. On that date the Ordinary Shares of Rs. 500|- each were sub-divided into shares of Rs. 10 - and the entire issued capital was thus made up of shares of Rs. 10|- each. The Company also by then had reserves which were on that date capitalised and 1,66,809 fully paid up Ordinary Shares of Rs. 10|- each of the total value of Rs. 16,68,090 were issued to the then existing shareholders pursuant to the agreement dated 25th April, 1955. The said fully paid up Ordinary Shares were issued as capital distribution and in consideration **inter alia** of the shareholders agreeing to the conversion into a public company. It is intended to replace a minimum of Rs. 3,50,000|- of the reserves so capitalised out of the profits of the current year. The physical assets and stocks of the Company have been conservatively valued.

COMMISSION AND DISCOUNT:—

Apart from brokerage hereinafter mentioned, no amount has been paid by the Company at any time or is payable as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any shares in or debentures of the Company or as discount in respect of the Share issued. No amount has at any time been paid by the Company or is intended to be paid by the Company to any promoter.

DIRECTORS AND MANAGEMENT:—

There are to be no Managing Agents. There is also no contract as to the appointment of Managing Agents. The Company has not issued any founders or management or deferred shares with any special interest in the property or profits of the Company. No restrictions are imposed by the Articles of Association on the Directors' powers of management and the control of the Company's affairs is vested in the Directors.

Hitherto approximately 90 per cent of the issued share capital of the Company has been held by the Directors.

The Chairman of the Company, Mr. K. C. Mahindra, is under an agreement dated 11th day of August, 1954, to serve the Company in the honoarary capacity for five years during which he is to receive no salary and the Company has only to meet his travelling and other expenses while on business as therein provided. Messrs. Keshub Mahindra, Harish Mahindra and Aloka Mitra act as executive Directors, under five years service agreements entered into by them with the Company.

The Company has no Manager as defined in the Indian Companies Act.

VOTING RIGHTS:—

The Redeemable Cumulative Preference Shares confer the right to attend and speak at General Meetings of the Company but not any right to vote except when—

(i) the Preference Dividend is passed over in any year or has remained in arrears for more than six months from the date it is declared; or

(ii) any Resolution affecting the rights, privileges or interests of the Preference Shareholders is proposed; or

(iii) any resolution for the winding-up of the Company is proposed.

No member entitled to be present or vote either personally or by proxy or as proxy for another member at any general meeting or upon a poll or to the reckoned in a quorum whilst any call or other sum is due and payable to the Company in respect of any of the shares of such member.

Upon a show of hands, every member entitled to vote and present in person, or being a Company present by a representative duly authorised as provided in Article 90, has one vote. Upon a poll, every member entitled to vote and present in person (including a Company present by a duly authorised representative) or by proxy has—

(a) One vote in respect of every Ordinary Share.
(b) Ten votes in respect of every Redeemable Cumulative Preference Share.

RESTRICTIONS ON RIGHT TO TRANSFER:—

The Directors, without assigning any reason for such refusal, may decline to register any transfer of shares.

UNDERWRITING:—

The issue is not being underwritten.

BROKERAGE:—

A brokerage of 1 per cent on Preference Shares and four annas per share on Ordinary Shares will be paid on receipt of allotment money in respect of application from the public bearing the stamp of a recognised Stock Broker.

APPLICATION FOR SHARES:—

Application for shares from the public will only be received on the footing of the formal Prospectus and on forms issued therewith by the Company and these may be obtained from the Registered Office of the Company at Gateway Building. Apollo Bunder, Bombay, or from its branch offices at Calcutta, New Delhi and Madras; or from Batlivala & Karani, New Union Bank Building, Dalal Street, Bombay; Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay; Place Siddons & Gough, 6, Lyons Range, Calcutta; Dalal & Co., National Insurance Building, P.B. 149, Madras."

Application forms can also be obtained from branches of Llyods Bank Ltd., at Bombay, Calcutta, Delhi and Madras.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949–50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
August 1954 ..	362.4	420.9	351.9	375.7	608.9	382 5	90.7	100.6	89.4	117.4
September ,, c ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348 8*	377.0	605 4	376.1	90.4	100.5	88.3	116.9
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.9	112.9
Week Ending										
14-5-1955 ..	276.5	397.1*	328.3	377.5	542.9	342.8*	90.7	100.7	87.8	113.0
21-5-1955 ..	279.2	399.6	330.6	374.7*	547.0	343.9*	90.7	100 7	87.6	112.4
28-5-1955 ..	276.2	389.6	331.4	373.6	548.8	341.0	90.8	100.7	87.6	112.3
4-6-1955 ..	276.7	386.2*	330.9*	371.0	574.8	340.6	90.8	100.5	87.6	111.9
11-6-1955 ..	277.3	392.2	329 1	370.3	566.2	341.0	90.8	100.5	87.5	112.5

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

WORKING CLASS COST OF LIVING (August 1939=100)

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 June	350	367	240	135	332	396	375	141	342	149	143	138
July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
1955 January	335	358	210	132	324	372	370	126	333	141	136	134
February	329	345	207	128	310	384	361	126	326	137	135	—
March	328	340	205	127	310	377	—	129	321	133	133	—
April	328	340	200	126	311	352	—	130	314	129	129	—
May	—	—	—	122	—	335	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 25-6-1955 High	Low	Average	18-6-1955 High	Low	Average	11-6-1955 High	Low	Average	4-6-1955 High	Low	Average
Gold (per fine tola) ..	94-15	93- 4	94- 1	94-15	92-10	93-12	94- 4	92-12	93- 5	94-1	92-4	93- 0
Silver (per 100 fine tolas)	157-10	155- 9	157- 1	158- 5	154-12	156-13	164- 0	156- 0	160- 2	162-0	160-4	161- 3

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	[illegible]42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	[illegible]42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	[illegible]49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	[illegible]02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	[illegible]02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	[illegible]02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	[illegible]02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	[illegible]02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	[illegible]02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
November 1954	1,167,21	19,65	1,186,87	[illegible]	623,15	663,17	[illegible]	[illegible]	417,75	1,186 87
December ,,	1,198,02	22,22	1,220,14	[illegible]	657,15	697,17	[illegible]	105,32	417,75	1,220 24
January 1955	1,220,25	14,88	1,235,13	[illegible]	656,70	695,72	56.3	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.1	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,49	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
Week Ending										
6-5-1955	1,329,26	10,54	1,339,80	40,02	661,98	702,00	52.40	104,09	533,71	1,339,80
13-5-1955	1,331,09	8,52	1339,61	40,02	661,98	702,00	52.40	103,90	533,71	1,231,09
20-5-1955	1,322,41	17,46	1,339,87	40,02	661,98	702,00	52.39	104,16	533,71	1.339,87
27-5-1955	1,316,09	24,03	1,340,12	40,02	661,98	702,00	52.38	104,42	533,71	1,340,12
3-6-1955	1,324,95	14,30	1,139.25	40,02	652,04	692,06	51.68	103,55	543,65	1,339,25
10-6-1955	1,331,28	8,23	1,339.50	40,02	652,04	692,06	51.67	103,80	543,65	1,339,50
17-6-1955	1,321,23	19,05	1,340,28	40,02	652,04	692,06	51 64	104,58	543,64	1,340,28

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,49	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
November 1954	87,01	16,94	73,44	34,42	211,82	18,26	240,08	19,93	3,39	102,07	1,41	13,78	91,28	8,11
December ,,	63,53	12,33	69,12	34,44	179,42	21,44	210,86	22,50	7,28	72,79	1,73	16,91	80,33	9,31
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	198,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	59,78	34,15	152,99	26,13	189,13	12,72	2,71	38,78	1,08	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	50,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
Week Ending														
6-5-1955	50,09	23,21	47,24	22,08	142,63	34,01	186,64	10.64	12,02	53,76†	80	40,49	41,48	27,44
13-5-1955	51,93	19.24	47,97	22,34	141,48	36,85	188,32	8,67	11,70	52 07†	80	44,52	41,47	29,09
20-5-1955	55,23	14.99	50,87	22,11	143,20	40,68	193,88	17.60	10,89	5358†	80	40,47	41,28	29,26
27-5-1955	54,63	14,17	49,46	21,77	140,04	41,44	191,48	24,19	11,23	48,46†	80	35,78	41,79	29,24
3-6-1956	52,21	14.75	46.72	21,88	135,56	41,79	187,35	14,41	12,24	60,03†	80	29,40	40,74	29,73
10-6-1955	55,35	11.58	48,95	21,68	137,57	42,28	189,85	8,34	14.09	66,11†	1,36	29,63	40.52	29.81
17-6-1955	57,15	11,79	49,88	22,15	140,98	45,25	196,26	19,20	14,03	64,60†	1.05	28,61	39,04	29,73

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

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Peace Amidst Plaudits?

THE triumphal receptions accorded to India's Prime Minister in most East European capitals in the last three weeks should fill every patriotic Indian with pride. There is a strong personal equation in these receptions; almost certainly any other Indian Prime Minister than Jawaharlal Nehru would have fared less well. The halo of romance which surrounds Jawaharlal at home has travelled with him abroad. Millions of people who know nothing of India's foreign policy or the romantic career of the darling of the Indian people have turned out to do Jawaharlal Nehru honour. It cannot be that all this has been organized; it has a ring of spontaneity which stands above the almost military precision with which each visit has been conducted. The truth is that Jawaharlal Nehru today is the most popular man in the world. This is a fact of supreme political importance.

It is a fact—however unpalatable it may be to some—that Indian foreign policy has now become invested with the personal equation which belongs to Jawaharlal Nehru. Indian foreign policy, today, is in fact an extension of his personality in the foreign field, just as trite commentators have often described foreign policy of

a country as an extension of policy at home into a foreign climate. This is not an unmixed blessing. The Prime Minister is deeply human, and his impulses are warm and generous. As a result of his identification with India's foreign policy, his personal sentiments have often been confused with his policy. Thus when he said that he had left a portion of his heart behind in the U.S.S.R., the conclusion was hastily reached that India did not dislike totalitarianism. The truth is that Jawaharlal Nehru dislikes totalitarianism though it may be that his dislike is less than that of the Indian people as a whole. Why was this left so much in doubt? The tour in Eastern Europe has certainly given the world the erroneous impression that India likes the totalitarian countries better than she likes the Free World.

It is necessary to correct this impression. It is necessary, because it is so little advertised, to point to the impersonal side of India's democratic life. In literally hundreds of thousands of villages men and women are being encouraged to help themselves; they are not being driven by law or by any official lash. In literally thousands of Indian papers there is free criticism of Governments. The legal framework of the Indian Constitution is based on the concept of the Rule of Law and, notwithstanding executive encroachments here and there, practice is based on the grand spirit of that great concept. To say that India stands neutral between totalitarianism and democracy because of an unhappy choice of words on the Prime Minister's part is to travesty not only the Prime Minister's outlook; it is to cast a libel on the great spirit of democracy enshrined in the working of Indian institutions since Independence.

It surely is not necessary to assure the Free World that the thought of an alliance in ideology with the Curtain countries is totally absurd. But it surely is not unnecessary that we should ask ourselves why if we dislike totalitarianism, we are so prone to give the impression that we are not so particular? Again, so far as foreign policy is concerned, can we as Indians lay the flattering unction to our souls that we enjoy in equal terms as three years ago the reputation for independent neutrality as between the two great Power blocs? Is there not more than superficial justification for the view that the leaning on countries behind the Curtains has grown while that on others has tended to remain stationary? In so far as Panch-Shila—or the five principles—go, it may be that the Curtain countries have come our way, and not we theirs. But the line of division between policy in so far as it expresses itself in statements of Prime Ministers has tended to grow continuously more tenuous. India is certainly working for peace; but peace, like truth, has many colours. Is there not a suggestion at least that the existing preference is for the red variety?

India's capacity for exerting her influence in the cause of peace depends in no small measure on her regaining that position of independence in which the direction of her leaning was not apparent to either side in the Cold War. This is the more necessary because the Cold War is thawing. The Peace Offensive, now being played brilliantly by Marshal Bulganin, may well make him the hero of 1955. As with Chou En-lai at Bandung, Nicolas Bulganin may capture the spotlight at Geneva this month. The Communist countries are now showing that they need no good offices. They are capable of reaching agreement with countries of the Free World without an honest broker going between.

India, that has played honest broker for the last three years at least, will then find herself out of a job in international politics. There is no harm in this result if it leaves us friends with all the world. But what would we gain, if in the process of settlement, we were left without the advantages of being wooed by either side? It is conceivable that the U.S.S.R. might choose to transfer its attentions to Europe and that, without any comparable advantages in political or economic terms, we would have earned the suspicion of leading countries of the Free World.

It is vital that we should not allow the impression to be created that we have in the pursuit of peace at any price found our way by mistake into the wrong Peace camp. We had no camp in the Cold War. We should have no camp in the Cold Peace. There is still time in the Prime Minister's present tour for this to be made clear.

B.C. Roy versus P.C. Mahalanobis

THE controversy now raging in West Bengal between Dr. B. C. Roy, Chief Minister of West Bengal, and Prof. P. C. Mahalanobis, author of the draft second Five-Year Plan, deserves a wider audience than is at present listening in. The fact that Dr. B. C. Roy has a reputation of leaning somewhat to the Right, whilst Prof. Mahalanobis has a reputation for leaning heavily to the Left, might lead one to suppose that this is the traditional Right-Left controversy being waged with its acknowledged leaders in the forefront of the fray. This is not, however, the case. The battle at present being fought is largely free from ideological considerations. It is in the main a straight administrative issue as to whether the Plan frame possesses the necessary requisites of a detailed picture, and whether the approach towards implementation suggested by Prof. Mahalanobis is administratively feasible in India.

The first issue is whether for the purpose of planning in India at the present time one can impose targets from above, with no direct relations to existing conditions, or whether one needs to examine the gaps on the field and build, so to speak, from below. Dr. B. C. Roy is an exponent of building from below. More precisely, this means that no arbitrary imaginary financial figures should be set into the targets on this stage. Each State will need to make a list of projects before it makes a list of totals. Totals arrived at without any content in terms of precise projects might be misleading in one or other of two ways, either because the resources presupposed are too high or too low. It would be the strangest of accidents if the figure arrived at in a statistical laboratory by a wholly academic process were exactly the appropriate figure to be reached by adding project to project up to a limit when administrative organisation

was fully strained. In Prof. Mahalanobis' strange outlook, the administrative capacity of the country at a particular time provides no bottlenecks; everything it seems can be done by finance. In Dr. B. C. Roy's approach, administrative capacity is a dominant element deciding what can be achieved in a definite time.

It is not necessary to accept Dr. B. C. Roy's evaluation of what exactly India's administrative capacity is at the present time in order to admit that his approach is obviously to be commended. Finance whether obtained by existing resources or by deficit finance must in the last analysis be subordinate to administrative factors. Mere provision of finance cannot build projects. If there is a bottleneck in physical resources or administrative ability, additional finance is of no avail. It is this simple proposition which stands behind Dr. Roy's insistence that a practical plan for India must be built up in the field.

When a plan is so built up, the chances are that there will be also a far more precise description of the elements which can go to its fulfilment than at present obtained. It is one of the greatest weaknesses of the plan frame that its figures convey no picture of the volume of the raw materials or, indeed, of the manpower required for its execution. The truth is that there is no relation whatsoever between the financial figures in the draft plan and the employment figures. These latter are pure poltical interpolations, being nothing more or less than directives from the Central Government on the volume of employment it would be desirable to provide.

While this approach to the Plan—whether it should be built from above or below—is the main issue, a subsidiary issue arises from the manner in which Prof. Mahalanobis has set out to provide the additional employment which he considers that it is his duty, irrespective of all practical considerations, to provide. The Mahalanobian concept of India's new economy is that of a head in heavy industry, limbs in cottage or household industries, and no body at all. Dr. B. C. Roy points out that a structure of this kind is a physical impossibility, and therefore, it will not come about. But even if it should come about it provides no solution to the particular demands which are likely to arise in the next few years. Consider, for example, the needs of industrial workers engaged on heavy industry. Their incomes will need to be spent on consumer goods. They have already formed habits in regard to the kinds of goods on which they wish money to be expended. For the most part, outside food, these are goods manufactured in medium-scale industries such as textile mills, shoe factories and so on, that is, industries which, in Prof. Mahalanobis' structure, are to be restricted fiercely in favour of the cottage variety. It is true that the cottage industries may produce more and more of this extra production may even be sold largely in villages where production takes place. But it is unthinkable that the Indian working classes will be satisfied with the quality or the prices of cottage industries products, which Prof. Mahalanobis intends to impose upon the country to the exclusion of factory products. Dr. B. C. Roy points out that just as there is a limit on the rate of advance set by administrative difficulties, so there is a limit on the capacity to change the structure of the Indian industrial system because of the degree of rigidity which exists in consumer behaviour. It is India's working classes who in the last analysis are to determine the rate and quality of industrial output. They will certainly not acquiesce in a return to lower standards of production at steadily rising prices. Prof. Mahalanobis' proposals are not merely reactionary; they are unworkable.

In the end, the controversy between Dr. B. C. Roy and Prof. Mahalanobis rests on the issue whether the economy designed for India in the second Five-Year Plan is to reflect free choice or to be imposed by methods, more or less totalitarian, upon the Indian people. Here at least there can be no doubt that Dr. Roy's approach is wholly sound, and Prof. Mahalanobis' wholly dangerous. In the last analysis, the choice in favour of democratic methods has already been made. This choice is enshrined in our democratic Constitution, but it is far older than January 26, 1950. It is part of the Indian way of life down the ages. Our people refuse to be dragooned; they will resent deeply any suggestion such as that implied in the doctrine of forced saving, which will be necessary if the Mahalanobian target of a saving of thirty per cent of an increment of output is to be enforced. Dr. Roy points out that the Indian people will never agree to have this pattern of consumption or saving decreed and regulated in the manner that Prof. Mahalanobis proposes. In private Dr. B. C. Roy, who is an astute politician, argues that the Mahalanobian view imposed upon the country at this time will involve the loss of a large block of Congress votes at the next general election.

The Mahalanobian Plan is in error in demanding an excessive rate of saving to finance income generated at a level which recent experience has shown can be obtained with much smaller resources. In rejecting the Mahalanobis estimate on the rate of voluntary saving, Dr. B. C. Roy is certainly right in his calculations as recent articles in "The Eastern Economist" have shown. But since the ratio of capital to income generated can be considerably lower than that provided in the Mahalanobis Plan, Dr. Roy is not equally correct in rejecting the income targets. With this qualification it might be said that that in the controversy now raging in Calcutta, Dr. Roy is fundamentally right and Prof. Mahalanobis is fundamentally wrong. To accept Dr. Roy's thesis on three points, namely, building from below, developing the existing structure of industrial organisation, and maintaining a democratic society in spirit as well as in form does not imply the acceptance of every figure which he indicates. It is likely that he has been misled by the Central Statistical Organisation's figures in regard to the rate of possible economic progress.

Only a brief comment on the political climate which enters into the controversy may be added. On all the three issues described above on which Dr. Roy differs from Prof. Mahalanobis one would have expected him to have the overwhelming support of practical men, particularly the members of the Central Cabinet and the leading Chief Ministers of States. Curiously, this is not the case. An explanation for this strange phenomenon, by which an argument so obviously sound is not entertained by the majority of India's political leaders, needs to be given. There is no doubt that the encouragement given to Prof. Mahalanobis by the Prime Minister and the Finance Minister has been responsible for giving to many mistaken notions in the draft Plan an

economic respectability and a political authority which is wholly undeserved. The Chief Minister of West Bengal is to be congratulated on having stood firm against the political tide. India at this critical time needs more men in authority with courage such as this. Dr. B. C. Roy this week has entered into his seventy-fifth year. Age, it seems, cannot dim nor custom stale his infinite variety. There will be many in India today who will wish that he may long be spared to wrestle with the false prophets that confused counsels in high places always bring forth.

The Nationatisation of Insurance

FOR too long have people, especially of a particular political persuasion, been talking of nationalising insurance in this country without caring to convince themselves or the public of the definite advantages of such a course. Whenever reference has been made to this subject, these protagonists have said no more than that it would place ample additional resources at the disposal of the State and that, in any case, it would not make matters worse than they have been—a very poor argument. Presumably because of this there was no disposition on the part of insurers to take the suggestion seriously, despite assertions even by official spokesmen that the question was receiving consideration. But, after the Prime Minister himself declared recently that personally he was in favour of nationalising insurance and banking at the right time, insurers must have begun to feel that the threat of nationalisation is both real and imminent. This doubtless explains the prominent attention that the subject received at the hands of Mr. A. D. Shroff, Chairman of the New India Assurance Company, Limited, last week, in Bombay. After thoroughly examining all aspects of the problem, Mr. Shroff has established that, while the so-called gains from nationalisation of insurance are extremely dubious, the move is not without serious risks, risks that the country can ill afford at the present time, more especially in the context of its five-year development plans.

There are five heads under which the subject has been appropriately examined, namely, the purpose of the proposal to nationalise, the character of the industry and its adaptability to nationalisation, the record of the industry, the ability of the industry as it is constituted at present to continue to contribute to the economic development of the country, and the experience of other countries which have sought to nationalise insurance.

The underlying object of nationalisation of insurance, in so far as those who advocate it have averred, is that it is basic to the national economy and that the resources of the industry would be available for development purposes, particularly in the public sector. But it has been proved ere now that this assumption is quite unfounded. In the first place, the resources are not as abundant as they are made out to be, what with a per capita life insurance of Rs. 25 and a per capita premium of Rs. 1-5 (in 1952) as compared to Rs. 8,365 and Rs. 327 in the United States and Rs. 1,840 and Rs. 106 in the United Kingdom, respectively. The population covered by life insurance in India is still below 5 per cent of the families as against nearly 80 per cent in the United States. Moreover, under the Indian Insurance Act, very little discretion is allowed to the insurer in the matter of investment of funds. It is noteworthy that, in practice, insurers in India actually invest a larger percentage of their funds in Government securities than in other forms of investment such as equities and immovable property. Thus, the consideration that more resources would be available to the government if insurance were nationalised is not borne out by facts.

Those who talk of nationalising insurance are not themselves very clear as to whether they would want nationalisation of all branches of insurance, that is, both life and general. Even countries economically more advanced than India where enthusiasts of nationalisation have not been found wanting have stopped at nationalising life insurance and, subsequently, have had to go slow on nationalisation of life insurance as well. The experience of several countries with State-owned and State managed insurance, such as Poland, France, Russia, Sweden and New Zealand, among others, to which Mr. Shroff has drawn attention, makes an illuminating commentary and is not without its moral to countries like India which are thinking of action along similar lines. The record of performance of these countries convincingly proves that general insurance does not only not readily lend itself to nationalisation but will greatly undermine the sound position of insurers, especially in the foreign field. It would therefore be unfortunate if Indian insurance, which has only lately begun to make notable progress in this field in neighbouring countries, were to be nationalised and thereby made to suffer a setback.

Before an existing scheme of things is replaced by another, it is necessary not only to prove the merits of the new one that is sought to replace it but also to establish that the existing scheme has failed to come up to expectations. It cannot be seriously contended by any one that the performance of the Indian insurance industry, whether on the life side or on the general side, has not been satisfactory, although it may not be spectacular.

Then, again, it is pertinent to examine whether, with all the development programmes that India has before it, it should not explore every avenue to harness the savings of the community effectively before tampering with the existing agencies and thereby causing avoidable dislocation. Before embarking upon nationalisation of insurance, the authorities will also do well to ask themselves the question whether they have the requisite trained field organisation to tap the immense potential resources yet awaiting to be tapped in this sphere. It should not be forgotten, incidentally, that this would entail the diversion of both men and money from their present assignment with all its consequences. In fine, while it is doubtful whether nationalisation of insurance will at all benefit the Government, it is sure to retard the progress of our development plans, besides depriving the private sector of a potentially effective source of capital formation.

THE WEEK'S NOTES

MR. KRUSHCHEV EXPLAINS

MR. KRUSHCHEV'S important speech at the U.S. Embassy Independence Day Reception in Moscow is in keeping with his reputation as an unconventional Communist. He gave the warning that the Soviet Union will not be negotiating at Geneva because of weakness. There is one school of opinion in the West which has always assumed that any compromise is a sign of weakness; so it has never favoured concessions to others while concessions from others are expected to increase by being rejected. There is no need to regret the decline of influence of this school. The more valid criticism of Russian gestures has been based on distrust and, what Mr. Krishna Menon described as mistaking perpetual suspicion for caution. Russia has no one to blame but herself for creating such suspicion.

There are many ways of interpreting Russian weakness. The cruder interpretation seeks support in a decline in agricultural or industrial production or temporary difficulties. There is also the general weakness common to all Powers arising out of the danger of a nuclear war; humanity everywhere is afraid of such catastrophe. In any case, the argument that Russian inferiority in tactical or nuclear weapons is responsible for concessions is not held by many responsible persons and it may be that the Russians themselves have been too conscious of this interpretation being put on their gestures. That explains also the magnificent air display in Moscow this week which has produced a great impression on Western observers present on the occasion.

"We made these decisions because they were the only right decisions and that is what motivated us." If that frame of mind persists and if the Soviet leaders could alter their perspectives each time they are convinced of their mistakes, discussions can be fruitful. But most often, Soviet policy changes have come about with changes in the situation, not only with reference to the Western countries but even in regard to the Communist world and the neutral powers.

A COMMUNIST ESSAY IN COMPROMISE?

IN ITS long 8000-word Resolution which embodied the fruits of its recent heart-searching, the Communist Party of India has only acted in the manner generally expected of it. The resolution is riddled with contradictions which the Party has to accept because they flow from the fountainhead at Moscow. Marshal Bulganin's compliment to India's foreign policy and her economic advance—which was paid without the slightest heed for the Indian Communist Party's loss of face—has landed the C.P.I. in the same dilemma which faced it during the Andhra elections. The Resolution is a confusing string of Communist claptrap about imperialists, war-mongers and peace-camps from which there emerges the thesis that though India's foreign policy is not wholly independent of Western influence, it has had a commendable 'reorientation' because 'in the main' it opposes the war-drive of imperialism, and "generally"—not forcefully or wholeheartedly—opposes colonialism.

All these follow from the initial thesis that only 900 million people (in the Communist World) have broken away from the orbit of imperialism and that Commonwealth membership subjects India's foreign policy to British imperialist influence, which is one of the chief enemies of world peace. There is then the surprising conclusion that the Government of India has been able "to assert increasingly India's sovereignty and independence." "The policies that the Government of India pursues today in its relation with other countries," the Resolution adds, "are essentially independent and are not under the decisive influence of any foreign power".

Similarly, while it blows hot and cold even about domestic developments the C.P.I. Resolution has to concede that India's Plan "did achieve certain results". (Otherwise Bulganin could look completely foolish when he commended India's progress). But the Communist Party feels bolder in condemning feudal landlordism and capitalism; the Soviet steel plant alone seems to stand out in happy and bold relief in a Plan which is "linked with the world capitalist market which is crisis-ridden." The policies of the Nehru Government have forced the Communists to proceed to the remorseless conclusion that they "taken as a whole, continue to be reactionary and undemocratic in practice despite talks about a socialistic pattern of society." The Communist remedy, therefore is the organisation of "mass resistance" and "struggles"—whatever these words may mean. If the Communists abjure such language they will cease to have their raison d'etre. By emphasising the personal role of the Prime Minister—which is what Moscow or Peking is immediately concerned about—the Communists seem to have found a formula by which they can vary the content of these slogans and reconcile the irreconcilable for the present, while reserving their views on fluture conduct.

SUEZ TO SIMONSTOWN

THE SIMONSTOWN agreement which provides for co-operation between the U.K. and the Union of South Africa in matters of defence is of some importance in view of the possibility of South Africa becoming a Republic and deciding to leave the Commonwealth. The agreement is similar to the Suez Canal settlement with Egypt. It has taken as many years to negotiate, though the talks did not create a sensation. Britain will now transfer control of the naval dockyard to South Africa and in return the British Navy will be allowed the right to use the dockyard in peace and war. Sir Anthony Eden has told Mr. Attlee, who sought clarification on this point, that the base was guaranteed for the use of the U.K. in war even if South Africa were to be neutral and that Britain's allies also could make use of it. South Africa has not only undertaken to maintain the base at full efficiency but also to refrain from imposing restrictions on the recruitment of workers on the basis of colour. A maritime strategic zone round the Cape sea routes will comprise an area under a South African flag officer, but in a war in which both countries are involved, the whole zone will be under a British naval Commander-in-Chief.

As in Suez, Britain has attempted to secure in substance the right to the base, while conceding the principle of South African control. South African fears about her own military weakness are undoubtedly responsible for this helpful attitude. The Union Government has decided to expand its naval forces and to place orders for ships to the value of £18 million in Britain.

There is, however, a general statement in an exchange of letters, that the defence of South Africa against external aggression lies not only in Africa, but also in the gateways to Africa—namely in the Middle East. What will be the regional arrangements contemplated to secure the sea-routes and lines of communication around South Africa? Will the Middle East countries and the U.K. fall in line with arrangements of the kind that will fully satisfy South Africa's fears of aggression? A conference to be sponsored by the two Powers is expected to go into this question more fully.

U.N. TECHNICAL AID IN 1954

NEARLY ONE hundred countries and territories in all parts of the world received technical assistance during 1954, according to a report published this week by the Technical Assistance Board of the United Nations. The Board's report to the Economic and Social Council shows that more contributions were made for technical assistance during 1954 than ever before. Between 1950 and 1954 the number of contributing governments increased from 54 to 74. Nevertheless, the report regards 1954 as "another year of paradox". For financial reasons the tempo of operations had to be slowed down. The basic needs have exceeded financial resources. The report shows that expenditures on the three main forms of assistance—experts, fellowships and equipment —amounted to $15,111,000 in 1954. The entire assistance programme for 1954 amounted to $19.5 million; it supplied 1,584 experts and 1,524 fellowships to the participating countries and satisfactory progress was made in regard to new methods of programme planning on a country basis. Experts were provided in 1954 to 71 countries and territories; and fellowships were awarded in 86.

The two-way nature of participation by countries in the expanded programme is cited by the report. Europe pledged a total of $7,120,000 and received assistance amounting to $1,500,000. Asia and the Far East pledged $1,288,000, were given assistance amounting to $4,650,000. Latin America pledged $1,286,000 and received assistance totalling $3,921,000. The Middle East pledged $248,000 and received a total aid of $3,252,000. The African continent, not in a position to offer any extensive assistance, received aid totalling $1,279,000.

Events in the past year, says the Report, have clearly illustrated the difficulty of carrying out what should be essentially a long-term programme on the basis of year-to year financing. The amount pledged for 1954 totalled $25.3 million and the cash actually collected including arrears amounted to $28.6 million. But obligations actually recorded by the end of the year amounted only to $19.5 million though the minimum programme for 1954 approved by the T.A.B. on priority requests amounted to $27.1 million. So, the T.A.B. seems to need some more technical help in organising its own affairs to make the best use of the money available.

The increase in the funds placed at the disposal of the T.A.B. is not unsatisfactory, considering that three years ago there was a drastic 'axe-ing' which affected the expansion of assistance schemes. It is reported that the Soviet Union is dissatisfied with the poor use made of the funds she placed at the disposal of the U.N.; if there is any truth in this, it should be fully investigated. Whatever the motives of the Soviet Government in agreeing to participate in the scheme, the virtue of aid through the U.N. is that it can be administered without "strings" of which most receiving countries are afraid.

PAPERWORK MANAGEMENT

THERE IS a streak of economy-mindedness among most human beings, which can show itself in many odd personal habits, often amounting to eccentricities. Millionaires have saved pieces of string or lace and economised on footwear leather even when they wore out their motor-tyres mercilessly. Some such impulse forces the Federal Government in the United States to set up inquiry committees for probing into possible economies in administration; and the outcome invariably is a vivid picture of extravagance and waste. The Americans seem to have it both ways. They get a kick out of the large figures of production and of the enormously expanding consumption; and then, they can always have the pleasure of calculating the waste and of being penitent for it.

The Hoover Commission in the U.S.A. has now produced four reports which show how federal spending can be cut by $4 billion a year. One of the Reports has the picturesque title "Paperwork Management". The Commission is convinced that by adopting its 18 specific suggestions with regard to "paperwork areas where savings are possible", at least $250 million a year could be saved. This is only a mild estimate by the side of the calculation that the federal government uses 25 billion pieces of paper every year and has accumulated 24 million cubic feet of paper in 2 million file cabinets requiring 16 million sq. feet of office space. This excludes the tons of paper used for technical manuals, pamphlets and periodicals; the total is indeed stupendous.

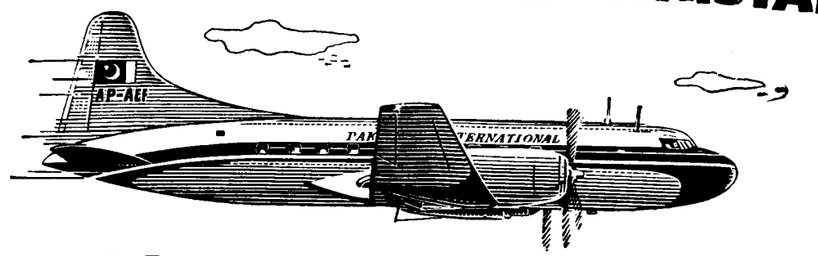
The remedy? The word "standardize" comes easily to the rescue. Standardize letters, forms, reports and procedures; write more routine letters, using standard texts. But why this austerity line for Government alone in a milieu in which ever-increasing consumption is the test of sustained economic progress? Have the millions of tons of newsprint—which inflates the U.S. per capita rate of consumption and makes it a constant source of pride—passed the test of essentiality in the interests of the intellectual and moral progress of the nation? The point is that the Government cannot be separated from the prevailing social and economic attitudes and the person who is not conscious of the extra pounds of newsprint he takes without needing all of it may not suddenly develop a new attitude in his place of work, to do with less paper.

PROGRESS IN PAKISTAN

ANNOUNCING THE decision of the Government of Pakistan to float two new loans to finance development projects (3 per cent 1960 and 1963 respectively), a press note from Karachi gives details of the progress made in development so far, which certainly sounds impressive. It is claimed that industrial production was, in 1954, 185 per cent of the 1950 level. The jute industry's target of 6,000 looms by 1957 will be attained in the course of this year and 11,000 tons of jute goods were exported in 1954. The Karnafulli Paper Mill with a capacity of 30,000 tons is now in full production. There has been a remarkable increase in cotton textile installed capacity. There are now 1,316,312 spindles and 18,427 looms—which is about a tenth of the size of the Indian industry. As in India, cement production has doubled in six years, though the total was only 674,000 tons in 1954. Besides the hydel power of over 60 megawatts which existed at the time of partition, 197 megawatts of thermal power has been added—which involves a further demand for coal. Coal output has increased from 241,000 tons in 1948 to 541,000 tons in 1954, and oil from 500,000 to 1,700,000 barrels. Though, in absolute quantities production in 1954 is still modest, output has doubled in a number of lines, supporting the claim that the industrial production index on a 1950 base was 185 in 1954.

There is a large number of schemes on hand. The major drawback has been the inability to make rapid arrangements for the construction of link canals to use the waters of the western Indus system. The Sind Barrage costing Rs. 24 crores is expected to be finished in 1960 and the Gudu Barrage Project (Rs. 18.30 crores) will be completed in 1958-59. The Thal, Taunsa and Mangla Dam are all among the bigger projects but they are not presumably making much progress yet. In the earlier years when political difficulties were much less than now, the administrative structure was inadequate; but now, the political uncertainties may hamper the bigger projects.

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A Window on the World

WHAT STARTED THE REVOLUTION?

By

ODYSSEUS

MAULANA AZAD has commissioned Dr. S. N. Sen to prepare a definitive history of the 1857 Mutiny, and in order to (1) form an idea of the magnitude of his task, and of the kinds of problems involved, (2) illustrate how dependent on the industry and integrity of historians must be the ordinary man who, unable to delve into the archives himself, can only acquire his knowledge of history at second hand, and (3) show how important historical accuracy is in view of the influence of ideas on the minds and activities of men. I quoted last week four versions of the events leading to the French Revolution of 1848 and promised to set forth some of the contemporary evidence on which their confident narratives and interpretations were based.

In a nutshell, the historians tell us that throughout the ministry of Guizot under King Louis Philippe, the Opposition had demanded parliamentary reforms, that they had organised banquets in 1847 to publicise their demands, and that one which was to take place in Paris on February 22, 1848, was banned by the Government, whereupon demonstrations led to clashes between troops and people (in which 50 were killed), ending in a popular rising that swept Louis Philippe off the throne, and that was the signal for risings in Germany, Italy, and Austria-Hungary. The broader repercussions were that the failure of the German Liberals to secure the unity of Germany enabled Bismark to build up the continental European imperialism that led to World Wars I and II. Louis Philippe's abdication enabled Louis Napoleon Bonaparte to create the Second Empire which collided with nascent German imperialism in the Franco-Prussian war of 1870, and this led to the enmity between the two countries which still bedevils international relations in Europe and indirectly throughout this One World.

All this flowed from the bloodshed in the streets of Paris between February 21-24, 1848. The foregoing is both a statement of facts and an evaluation of them. Professor E. L. Woodward points out in his classic "War and Peace in Europe, 1815-70" (Constable, London, 1931) that in order to make such statements and evaluations, the historian must answer four questions: (1) What happened? (2) Why did it happen? (3) Why did it happen that way and not otherwise? (4) What is the meaning of the happening?

THE VALUE OF AN OFFICIAL ENQUIRY

The French historian, A. Cremieux, who published a critical study of the events of February 21-24, 1848, began by classifying the sources available as: (1) Official documents; (2) Unofficial contemporary documents; (3) memoirs, i.e., records of eyewitnesses, although the date of writing may have been much later than 1848; (4) histories of the Revolution. Cremieux noted that the closer to 1848 was the publication of any history of February 21-24, the less reliable it was, being written under immediate reactions for or against the Revolution; early historians are, therefore, to be regarded as themselves primary authorities on the divisions of French opinion rather than on the facts of the Revolution.

Chief among the official documents was the Magistrates' Enquiry that followed the shooting. What could be better? Trained legal minds sifting out the evidence. But consideration of the documents suggests that the Enquiry was a concession to the popular outcry for vengeance on the defeated "traitors". The Enquiry was purposely dragged out long enough to allow passions to cool and therefore to protect the fallen ministers from popular vengeance. Bearing the Magistrates' apparent motives in mind, we can nevertheless agree that use can be made of much of the evidence collected.

Government offices were ransacked for any documents that might prove that the "wicked government" had resisted demands for reform. Evidence was secured from eyewitnesses of the revolt. Few documents were found. People don't have time to write reports in the heat of action. Many decisions were taken at anxious and excited meetings and orders given, and messages taken, verbally—in tense circumstances which made for contradictory recollections afterwards. The evidence itself varied in quality with the intelligence and sympathies of the witnesses and the skill or sympathies of their examiners.

Unofficial contemporary documents included newspapers and pamphlets. Cremieux tells us that as reporters of facts the newspapers were of little value—the collection of news was not so elaborately organised as today. The value of the newspapers is in drawing attention to contemporary motives and attitudes. Cremieux first tried to ascertain the viewpoints of each newspaper and its financial resources (to ascertain whether it was dependent on any party for support). The time and meticulousness demanded of the conscientious historian is shown by Cremieux's division of 28 newspapers into 10 classes, ranging from the Official Gazette, Extreme Right, Right, Centre, Left Centre, Left, Socialist, to Communist. Pamphlets are of little use to the historian of a revolution that lasted four days. If the Revolution had lasted several months, polemical pamphlets, for or against, could have thrown light on personalities and motives. As it was, pamphleteers found it wise to accept the accomplished fact and side with the victors.

When we come to memoirs, we find that some writers make only fleeting references to February 21-24; others are anxious to justify themselves or damn their enemies; most, naturally but tantalisingly, assume that all the events are common knowledge.

Examining the histories of the revolution, Cremieux found that the nearer to them the events that the historians described, the more involved were their own feelings, so Cremieux classified their histories in chronological order to correspond with the successive changes of public opinion towards the revolution and towards the regimes of the Second Republic, and then of the Second Empire, which followed it. In the first months after February 21-24, histories were written by the enthusiastic supporters of the new regime; no one was rash enough to criticise the "heroic victors of the barricades". But the new Republic (like all governments) failed to realise public hopes, and as time passed, critics emerged. The events then began to be narrated from the viewpoint of the fallen ministers, or of the Centre, or the Royalists, who now ceasing to be the enemies of the people become the "friends of the people deluded by the demagogues!" Opposite criticism from the Extreme Left was just as strident.

"HISTORY" CHANGES EVERY YEAR

Roughly speaking, it was not until 1912—sixtyfour years later—that there emerged in Cremieux an historian who had no personal interest in 1848 save to piece together the truth. Cremieux's classification of the historians of 1848 suggests that history is not a final judgment on a given set of facts, but a series of changing interpretations of those facts dictated by recourse to "history" for precedents to promote, justify, or condemn, present policies, parties, movements, and aims. We need to remind ourselves that this is not true History but historical mythology dressed up in History's trappings, and to be on the watch for it in the course of our reading, continually asking ourselves: "Is this man using a myth to propagate a view, or is he honestly trying to answer professor Woodward's four deceptively simple looking questions?"

But what about the famous banquet that started the revolt? Who organised it and why? Among the documents seized after the revolution were some concerning the "Reform banquets". These papers showed that the parliamentary Opposition felt that these banquets, started in 1847, were losing their popularity; they were being ridiculed by the cartoonists. The Opposition did not, therefore, want the Paris banquet, the initiative for which came from a few obscure party zealots led by one, Roinville, anxious to make themselves as conspicuous as others in "the cause". When he got 900 acceptances, Roinville became alarmed at the unexpected size of his banquet. He had not bothered to obtain the permission necessary in accordance with a law passed to ensure civil peace. Now he did. The police, fearing disorder, refused. Roinville felt that he must enlist the support of more important people than himself and appealed to the Opposition leaders without whose aid he could not defy the police and without whose presence the banquet would be a flop. The M.P.s had never wanted a banquet; they had not Roinville's motive for defying the police; their izzat was not involved in a surrender. The Opposition press now heard of the banquet and used it a stick to beat the government, accusing it of denying the right of public meeting.

Roinville afterwards published his memoirs in which he reproduced the text of his letter to the police, containing no request to authorise the banquet. Unfortunately for him and fortunately for the conscientious historian, his original letter survives in the police archieves and shows that he did ask for permission. Why suppress this? Because Roinville's request proved that he knew that authorisation was the law of the land; if so, refusal was equally lawful; if so, the government could not be attacked for "illegality".

Professor Woodward cites Roinville as an example of the value of checking memoirs with documents. Roinville's letter in the archives alone would not reveal his anxiety to hide from his friends the important fact that he shrank from telling them that he had asked for authorisation: his memoirs alone would not reveal that he did.

A compromise for the izzat of the police and of the Opposition leaders was found. It was agreed that they would march to the meeting hall (in a remote quarter), would there be told that it was illegal, would propose one toast to "Reform", and then go home. The Opposition press, however, played up this procession into a great popular demonstration. Once more the M.P.s were alarmed at the possibility of disorder. Whatever they were, they were not revolutionaries; they cancelled the procession!

What? No banquet? No procession? How then did the clash between troops and people arise on February 21, day of the banquet? The provocation of the banquet (abandoned by its reluctant and law-abiding sponsors) to the Revolution of 1848—with all its repercussions, national and international—seems to have diminished to vanishing point. How did fifty people get killed in a procession that never started? See Next Week's Thrilling Final Instalment.

THE BIRLA JUTE MANUFACTURING CO., LIMITED.

NOTICE is hereby given that the Annual Ordinary General Meeting of the Shareholders of the Company will be held at the Principal Office of the Company, No. 8, Royal Exchange Place, Calcutta, on Wednesday, the 27th July, 1955, at 3-30 P.M. for the following purposes:

(1) To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended 31st March, 1955.

(2) To declare dividends on Preference and Ordinary Shares.

(3) To elect Directors in place of those retiring by rotation.

(4) To appoint Auditors and fix their remuneration.

(5) To transact any other business which may be brought before the Meeting with the permission of the Chairman.

The Share Transfer Books of the Company will remain closed from 18th July to 27th July, 1955 both days inclusive.

By Order of the Board,
CALCUTTA, BIRLA BROTHERS LTD.
Dated, 22nd June, 1955. Managing Agents.

In particular to: Smt. Grihya Kumari, Smt. Sarojini Devya, Mrs. Rubie Nanda, Messrs. Ambika Charan Neogy, Gopal Chandra Das, Burjoriji D. Mama, Andrew Gibb, Gayanath Saha and C. K. Mistri & Ors., Kedarmani A. Dikshit and E. E. F. Moses.

NOTE: If Dividends on shares as recommended by the Directors are passed at the meeting, THE DIVIDENDS WILL BE PAYABLE ONLY TO THE REGISTERED SHAREHOLDERS, whose names are on the Company's Register on the 27th July 1955. No application need be sent for dividend as relative Transfer Deeds for Ordinary Shares of Soorah Jute Mills Co., Ltd., or fractional coupons will be posted to such shareholders by the 27th of August, 1955. On receipt of the Transfer Deeds duly signed by the shareholders and on completion of the transfer, the respective share certificates will be sent to them.

The shareholders are requested at once to notify any change of address.

A DELHI DIARY

THE POSTAL SECTOR

INTELLIGENT readers of this Delhi Diary (and which of my readers is not intelligent?) will have sensed that some thing went wrong last week. There was no Delhi Diary and no explanation for its absence. The truth is that a Delhi Diary was composed from a distant place and was dutifully put in a post box on Wednesday in the belief (particularly as it had been marked 'Express Delivery) that it would be delivered in Delhi on Thursday morning. As things turned out, it was delivered in "The Eastern Economist" on Saturday evening. Various researches conducted into the reason why an express letter should take three days to reach Delhi from a city connected with the Capital by a night air service have not yielded any result. "Argus" refuses absolutely to take blame on this occasion, and passes on the facts to the Director-General of Posts and Telegraphs for enquiry. Frequent absences from Delhi, it seems, carry their own risks. With the postal system not growing greatly in efficiency, perhaps, it would be safer for "Argus" to stay at home. This, he has (for two months) resolved to do.

There is an added attraction in home-coming. The monsoon has broken early and Delhi has made itself a much more agreeable place than it usually is at this time. Not, indeed, that it is overflowing with excitement. The Prime Minister is away and his tri-weekly speeches on the home front do not now illuminate front pages of newspapers although his movements abroad are still front-page news. There are no interesting Government decisions to attract notice and controversy. I can think of only one thing this week which gives me good cheer. This is the proposal of the Ministry of Health to make provision in the second Five-Year Plan for Central Government servants to proceed to hill stations. Having just arrived from a hill station (and having recommended the extension of the Welfare State in that direction) I am naturally pleased to find an echo in the hard interior of a Government Department. One must, however, restrain one's optimism. The cost to the Exchequer which is estimated at between Rs. 20 and Rs. 30 lakhs has not yet got past the Finance Minister!

NATIONAL DAYS

The week has been full of National Days. There were three national days between July 1 and July 4. Canada came first on July 1, the Philippines second on July 3, and the United States celebrated its Independence Day on July 4. They were all interesting occasions with hospitality generous in the numbers invited, which seem to grow from year to year. The Canadian reception was aided by an auspicious shower of rain. The other receptions were not so fortunate; the American reception was quite literally dry. It seems a pity that a decision was made on this occasion to honour a directive principle of the Constitution. I fear I was one of those who were disappointed that on this occasion we were not shown one lively aspect of the American way of life!

THE MOSCOW LINE?

In the absence of the Prime Minister, politics, as I have said, has tended to be subdued. There has, however, been one trumpet call in the form of a declaration of economic policy by the Communist Party of India, which was released to the Press on Thursday. It does not look as if the walls of Delhi (or even Jericho) will fall at the sound of these trumpets. Some of the sounds are so out of tune with the prevailing temper of Congress party that one wonders why they were included at a time when the Communist Party is anxious to show that it can wear a mild and gentle look, at least in front of the Prime Minister. The proposals include confiscation of British capital, immediate nationalisation of manganese mines, gold mines, copper mines, coal mines, British controlled jute mills and plantations and foreign-owned banks and insurance companies. They "demand" that the lot of all workers should be improved, and agricultural workers be granted minimum wages. On the other hand, rationalisation is to be stopped and at the same time the prices of manufactured goods are to be brought down.

This last proposal that workers' wages should be raised, that peasants should be guaranteed secure prices for their produce and raw materials but that the price of manufactured goods must be brought down in value is based upon the performance of an economic miracle, the means to which are not explained. Apparently all things are possible. There is emphasis on the rapid industrialisation of the country, which it is assumed will come about in the Mahalanobian way without, however, additional taxes on the "poverty-stricken and tax-burdened people". Prof. Mahalanobis thus obtains a pat upon the back, which, considering its source, will bring him cold comfort.

The theory behind this remarkable document, remarkable for its splendid ideological impossibilities, is apparently that India's problems are all connected with distribution and ownership. Nationalisation, it seems, can do every trick. Strangely, the public mind is all too credulous on this point. It seems that one has only got, as Goebbels said, to repeat a dishonest slogan often enough for a large number of people really to believe it.

One wonders whether men like Ajoy Ghosh, whom no one can accuse of being devoid of intelligence, really believe what they say when they proclaim that the mere grasping of foreign controlled concerns will increase the national wealth of the Indian nation significantly enough to dispense with taxation of the relatively poor. It was noticed on Thursday that Mr. Ghosh was not ready to be involved in too long an argument. He himself was taking an early plane to Moscow. While forwarding a copy of the economic proposals to the Planning Commission he indicated, however, that representatives of the Party if invited would be glad to meet the Commission "to discuss the matter". What matter? An economic revolution a la Lenin? That does not seem to be within the terms of reference of the Planning Commission, or (with the new plan-frame), is it?

Thus ends, for all practical purposes, the talk of sweet reasonableness in the Communist Party of India. It is clear that just as the leopard is unable to change its spots the Indian Communist Party is quite unable to lie down calmly with a meek democratic regime. Can it be that economic policy has had to be more drastic, the more readily to conceal agreement with the Prime Minister on foreign policy? Or does the great dilemma continue; must the Prime Minister really be accepted? Can he be separated into two (unequal) halves; a foreign self and a home self? Ajoy Ghosh is, it seems, not likely to find enlightenment in Moscow; but at any rate it is the duty of the prophet to approach the mountain.

ARGUS.

Economic Report from the U. S.

TRADE BETWEEN EASTERN AND WESTERN EUROPE

(BY GUY SIMS FITCH)

WASHINGTON, July 5.—A study just completed by the United Nations bureau of economic affairs contains a most revealing statement that strategic trade control by the free nations does not appear to have been the principal factor limiting the volume of trade between Eastern and Western Europe. The question arises as to what, then, are the principal reasons? The United Nations study, titled "the quest for free trade," assigns it to the deficiencies of the Soviet Communist system. The chief difficulty seems that the countries of Eastern Europe have not been able to deliver the goods required to finance imports from the West. But there are other factors, too. In the Soviet Union, and its Communist satellites of Eastern Europe, trade is a state monopoly, subordinated to central economic planning. Communist trade practices have followed political objectives restricting trade with the West, while building up in the East an isolated trading system dominated by the Soviet Union.

These political and economic policies, have made it impossible for the Soviet bloc to co-operate with other nations in multilateral efforts to free international commerce from trade and exchange restrictions. When the General Agreement on Tariffs and Trade (G.A.T.T.) was concluded in 1947, no country with a state trading monopoly participated in it. Today, even without effective Communist co-operation, G.A.T.T.'s 34 partners have negotiated multilateral agreements covering some 60,000 items involved in 80 per cent of world trade. East-West trade has been adversely affected by lack of business contacts resulting from the Soviet bloc's self-imposed isolation.

These views are shared by a report released by the United States Government. The report, a review of U.S. trade controls in the second half of 1954, notes that there has been little increase in East-West trade despite the substantial relaxation in the free nation's strategic trade controls last August. Relaxation in U.S. controls, for instance, has freed some 600 additional items for export to Eastern Europe. Yet during the last quarter of 1954 only eight shipments, valued at $3,472, were approved for export to the European-Soviet bloc that would not have been approved prior to the August relaxation.

Similar patterns are evident in the case of other free nations. Free-world trade as a whole with the Soviet bloc, including Communist China, rose moderately during 1954. Exports went up to $1,720 million from 1953's $1,389 million, while imports rose to $1,738 million from 1953's $1,620 million. Even with this increase, however, the $3,458 million in Communist trade made up only 2.2 per cent of the $152,542 milllion of free-world trade. And to achieve this increase, the Soviet Union had to sell gold to pay for much of its imports which implies that it cannot or will not deliver enough exportable goods to finance its imports from the free nations. There are signs, moreover, that the rise in East-West commerce may be levelling off, despite growing Soviet promises of trade expansion. Goods moving to the Soviet bloc from the free nations actually were less in the second half of 1954 than in the first half, despite the greater trade opportunities presented by free-world action in opening up hundreds of formerly prescribed products to peacetime commerce.

Experts, however, are convinced that the Soviet Union will have to make adjustments in its industrial and agricultural policies, if there is to be a substantial rise in trade with the free nations. Most of its efforts in the industrial field are directed to the building up of heavy industry—much of it being non-exportable armaments. Its agricultural difficulties, despite its rich land resources, have left it without any real exportable supplies of farm products. In fact, it has had to import wheat and other commodities. President Eisenhower, for his part, has stated publicly that the American people have an open mind on the subject of East-West trade. So long as it does not directly help the war-making powers of the Communist bloc, its expansion is welcome.

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WORLDGRAM

AGRICULTURE

Price Variation in Agricultural Commodities: The Agricultural Prices Variations Inquiry Committee decided to convene a conference of representatives of States in New Delhi, in July. The Committee also agreed to study the problem of variations in prices in respect of food grains as well as commercial crops. The types of variations that the committee will inquire into would include (a) variations over-time, (b) variations in the space, and (c) variations in the movement of wholesale and retail prices. Inter-commodity and seasonal variations will also be within the purview of these investigations. The committee decided to examine similar variations in the movement of prices of agricultural commodities which the cultivator sells and the prices of manufactured articles which he buys. Reactions of prices to announcements of export and import quotas and the effect of foreign prices on the internal market will also be subjects of study by this committee.

*

World Wool Output: It is forecasted that the world would produce more wool this year than compared with the last year. World wool production is estimated at 4,475 million lbs, greasy basis, compared with its revised estimate of 4,390 million lbs produced in 1954. The preliminary 1955, estimates "indicate increases for Australia, New Zealand, Union of South Africa, Soviet Union and some of the Middle East Countries." There would be no significant change in output from Argentina and Uruguay. During the first quater of 1955, consumption in the principal wool consuming countries increased by an estimated two per cent above the comparable period of 1954. The most marked declines in output in 1954 had occurred in Argentina and the Soviet Union.

*

Bombay State Amends Forest Act: The Indian Forest (Bombay Amendment) Bill, 1955, have received President's assent. The Bill amends the Indian Forest Act, 1927, as applied to Bombay State. Under this Bill, Apta and Temburni leaves, an important minor forest produce yielding an annual revenue of Rs. 3 lakhs will be treated as forest produce, and their collection and transport will be strictly supervised. The State Government has also been empowered to assign its rights in or over any land, which is a reserved or protected forest, to village panchayats and co-operative societies.

INDUSTRY

The Second Charleroi International Technical and Industrial Exhibition: The second International Technical and Industrial Exhibition will take place from the 17th September to the 2nd October, 1955, at Charleroi (Belgium) in the heart of the industrial basin of Hainaut. This Exhibition has the double aim of presenting the foreign buyer with a panaroma of Belgian-produced capital goods and, on the other hand, to enable subsidiary and allied foreign industries to display their products in ideal surroundings for such a purpose.

*

Industrial Programme Under Second Five-Year Plan: Outlines of the industrial programme under the second Five-Year Plan will be considered by the Central Advisory Council of Industries at its sixth meeting to be held here on July 22, 1955. The Council will also consider the annual reports of the Development Councils for different industries set up under the Industries (Development and Regulation) Act. The report of the Engineering Capacity Survey Committee will also come up for consideration at the Council Meeting. Notes regarding the development of a number of important industries prepared by the Ministry of Commerce and Industry will also be considered.

Continuation of Protection to Titanium Dioxide Industry: Government have accepted the Tariff Commission's recommendation that the protection granted to the industry should be continued for a further period of two years, i.e., up to December 31, 1957. Revised rates of protective duty on titanium dioxide decided upon with the concurrence of the Commission, namely, 44 per cent **ad valorem** (standard) and 34 per cent **ad valorem** (preferential) have been brought into force.

*

Electricity Output in March, 1955: During March, 1955, 686 public utility power stations in India generated 696.1 million kWh (kilowatt hours) of electricity of which 568.3 million kWh were sold to ultimate consumers. The new addition during the month was one undertaking at Khargaon in Madhya Bharat. As compared to February, the electricity output increased by 69.9 million kWh.

*

Tamarind Kernel Powder for Sizing: A draft Indian standard specification for tamarind kernel powder for use in the cotton textile industry has been prepared by I.S.I.'s Textile Sizing and Finishing Materials Sectional Committee. In this draft standard, methods of preparation of 'pure' and 'heavy' size mixing are given. Also three methods of manufacture of the tamarind kernel powder have been prescribed. The present draft standard is a revised version of the standard which was first issued in 1951 as **tentative** for a period of one year, and which was later extended up to October, 1954. In this draft revision, additional requirements of odour, moisture content and freedom from adulterants have been included.

TRADE

Export of Chrome Ore: The Government of India have reviewed the policy with regard to export of chrome ore and have decided to continue free licensing, till the end of December, 1955. Exporters are, however, warned that they should not enter into commitments with foreign buyers for shipments beyond December 31, 1955.

*

Export Duty on Tea: The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 2-6-5 per lb, as against Rs. 2-7-3 per lb in force form June 1, 1955. The export duty at this price will be annas four per lb. which means there will be no change in the exisitng duty.

*

Export Duty on Cotton Reduced: The Government of India have decided to reduce the export duty on all varieties of cotton from Rs. 150 per bale to Rs. 125 per bale. It has also been decided to allow an additional export quota of 150,000 bales of cotton. The Government have examined the question of floor and ceiling prices to be fixed for the 1955-56 season and have decided to maintain the present level of the floor and ceiling.

*

Export of Cotton Yarn to Tibet: In super-session of all the previous notices issued regarding export of cotton piecegoods and cotton yarn in Tibet, the Government of India has decided to allow fully with immediate effect cotton piecegoods for export to Tibet and also to the states of Sikkim and Bhutan in the same manner as they are licensed for exports to other permissible destinations. So far as cotton yarn is concerned the applicants who are recommended by the Political Officer in Sikkim will be allowed to export cotton yarn to Tibet anly as nominees of mills holding quota for export of yarn.

Fresh Trade Arrangement Between India and Norway: A fresh trade arrangement has been concluded between Government of India and the Government of Norway. The arrangement will remain in force up to December 31, 1955. Under the arrangement, the trade between the two countries will be governed by their respective import, export and foreign exchange regulations. India will accord soft currency treatment to Norway in the matter of import and export licensing and Norway will extend to India the import liberalisation measures she applies to the countries in the Organisation for European Economic Co-operation. There is a provision in the arrangement for consultations between the two governments in case either of them enters into agreements with other countries affecting commodities in the export of which they are vitally interested.

*

Export of Agricultural Commodities. The Government of India have reviewed the export policy for certain agricultural commodities and have decided to license export of cane jaggery and cane jaggery powder, gram and gram flour, kardi seed cakes and nigerseed cakes freely without any quantitative restrictions up to the end of December, 1955. The export of pulses other than gram will also be licensed freely with certain quantitative restrictions till the end of December, 1955. The export of maize grit and maize gluten will also be licensed freely until further orders. The export of wheat bran, rice bran will be licensed freely till the end of September, 1955 and December, 1955. The export of Kardi seed, nigar seed and groundnut oil cakes will too in discussed freely.

*

India's Trade with Pakistan, Afghanistan, Iran and Burma: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during May, 1955, are as follows: Merchandise Exports: Rs. 45 lakhs; Exports to Eastern Pakistan Rs. 23 lakhs; Exports to Western Pakistan Rs. 19 lakhs; Exports to other countries: Rs. 3 lakhs. Merchandise imports: Rs. 2,02 lakhs; Imports from Eastern Pakistan Rs. 1,84 lakhs; Imports from Western Pakistan Rs. 1 lakh; Imports from other countries: Rs 17 lakhs; Total trade Rs. 2,47 lakhs; Re-exports Nil, Trade in treasure: Negligible; Balance of trade: The total value of exports fell short of imports by Rs. 1,57 lakhs.

FINANCE

National Wealth Survey: The Government of Japan will make a survey of nation's wealth. For this purpose a special Committee of 30 members, including university professors and men of wide experience, will be formed in the Economic Counsel Board. The planned survey will be the first in 20 years. The previous one in 1935 recorded the national wealth of Y170,000 million. The Board plans to survey during the current fiscal year (1) State-owned property (2) property of Government-agencies, such as public business and financial corporations and (3) property of private corporations. The project will be completed by the first-half of 1957.

*

New Facility for Stock-Holders: To enable bondholders to get interest on their bonds at the residences, the Government of India, in consultation with the Reserve Bank, have approved of a procedure whereby such interest could be remitted to the holders by money order. The present practice is to pay such interests only through the treasuries. The remittance faciilties by money order can, however, be provided only in the case of those who have taken their securities in the form of stock certificates and not promissory notes. For the promissory notes interest will continue to be paid from the treasuries as at present.

Subsidised Industrial Housing Grants: A sum of Rs. 2,71,75,645 was sanctioned by the Government of India to various State Governments and private concerns during May this year for the construction of 9,877 tenements-under the Subsidised Industrial Housing Scheme. Out of this amount, the Government of Uttar Pradesh will get Rs. 1,04,54,520 as subsidy and an equal amount as loan for the construction of 6,224 single-room and 1,176 double room tenements at Kanpur, Lucknow, Bareilly, Rampur, Ghaziabad, Gorakhpur and Naini. A sum of Rs. 55,23,700 divided equally as loan and subsidy, will be given to the Government of Rajasthan to build 1,760 single room and 440 double-room tenements at Jaipur, Pali, Bhilwara and Kishangarh. The Government of Mysore has been sanctioned Rs. 2,90,040 as loan and an equivalent amount as subsidy for putting up 200 single-room and 12 double-room tenements at Bytarayanapura. A loan of Rs. 1,08,550 and a subsidy of Rs. 54,275 will be given to Shri Kurla Kamgar Co-operative Housing Society Ltd., Kurla, Bombay, for constructing 65 double-room tenements at Kurla.

MISCELLANEOUS

Indigenous Photographic Enlarger Manufactured in India: An improved type of photographic enlarger with a $2\frac{1}{2} \times 2\frac{1}{4}$ to 35mm negative carrier has been designed and manufactured in an Ordnance Factory in India. It is reported that all the components of the enlarger had been manufactured in the factory itself. It was fitted with all the modern features which were at present available only in the more expensive imported varieties. Experts are now busy designing a 35mm. sound cinema projector. Besides this, binoculars, miscroscopes, self-illuminated blocks, pocket-holding magnifiers, drawing instruments, splinter group goggles, range finders and component parts of teleprinters and typewriters are also being manufactured in this factory. The factory has also undertaken to execute Government orders for about 2,000 items of extra-part manufacture. The factory has a repair shop attached to it, where binoculars, microscopoes and cameras from various military formations are received for repair and renovation.

*

Development Work in Tribal Areas: The Community Projects Administration have made special arrangements for giving specialised training to social Education Organisers who will be posted to work in the community projects extension Blocks in Tribal areas. Already, in a large number of tribal areas, e.g. in Madhya Pradesh, Orissa, Assam, West Bengal, Bihar and other parts of the country, the Community Development Programme is functioning. The special training now contemplated will enable the Social Education Organisers working in these areas to have the proper scientific approach to a problem which is admittedly a specialised one in its historical and cultural context.

*

New Soil Insecticide: Aldrin, the new soil insecticide which controls a wide range of soilpests such as the termites, cutworms, white grubs and weevils, attacking the roots of all crops, is now being incorporated in fertilizers, for the first time in India, by Dharamsi Morarji Chemical Co., Ltd., Parry & Co., Ltd., and Shaw Wallace & Co., Ltd. The use of such an aldrinissed fertilizer means that the crop recives the maximum benefit from the application of fertilizer by preventing any soil insect attack from sowing time to harvesting. Aldrin while giving protection to all crops for up to a year with one application does not harm the crop in any way and causes no taint in edible crops grown in treated soil. Extensive trials in India and elsewhere have demonstrated the outstanding value of aldrinised fertilizers. On potatoes in Poona and in the Nilgiris and on Chillies in Belgaum, the aldrinised fertilizer treatments gave considerable yield increases over the fertilizer treatment without aldrin.

NEWS IN BRIEF

INDIAN

The Punjab National Bank Ltd., has subscribed Rs. 3½ crores to National Plan Bonds second series (3½ per cent 1965) contributions to which opened on July 1.

*

Under the Practical Training scheme of the Ministry of Education, Government of India, arrangements have been made in selected industrial concerns and important technical departments of the Government for the practical training of students who pass out of engineering and technological institutions in 1955.

*

The 7,000-ton Cargo Ship, M. V. "Jalavihar" is the thirteenth big ship built by the Hindustan Shipyard and the first modern diesel engine motor-ship built in India.

*

During 1954-55, India exported goods worth Rs. 87.38 crores to the United States, while our imports from that country amounted to Rs. 81.60 crores.

*

The Mayurakshi Project of West Bengal is estimated to irrigate 6,20,000 acres of land in the Kharif season and 1,25,000 acres during the Rabi season.

*

During the last two years, 219 miles of existing roads have been improved and developed; 4,500 feet of bridging has been nearly completed and 225 miles of new roads and tracks have been added to Jammu and Kashmir's road system.

*

The Panna diamond mines in Rajasthan, said to be one of the richest in the world, will be developed with the help of Russian experts. A private firm has secured the services of Russians to exploit the mines. They are setting up a plant capable of processing 10,000 tons of diamond-bearing rock per day.

*

The Government of India has relaxed certain conditions regarding export of iron and manganese in transit through the Portuguese Port of Marmugoa.

*

The revenue to the Government of India from estate duty since October, 1953, when it came into effect, till the end of 1954, amounted to only Rs. 4.56 crores, as against the estimated income of Rs. 8 crores per year.

*

Final touches are being given to the scheme for the expansion of steel output from 25,000 tons to 100,000 tons at the Mysore Iron and Steel Works, Bhadravati, at a cost of Rs. 12 crores, in the light of the American experts report to the Government of India.

*

The Government of India will soon sign a second agreement with the German Consultant firm of Kruppss-Demag for the preparation of new project reports and other technical assistance in connection with the doubling of the Rourkela Steel Plant's capacity.

*

The Central Glass and Ceramic Research Institute has proposed to the Planning Commission the setting up of a pilot plant at its premises for the manufacture of optical glass.

*

The Union Education Ministry has sanctioned a teachers training institute and staff college at Patiala. The College, first of its kind in Pepsu, will start functioning from September, and will cost Rs. 9 lakhs.

*

It is reported that India may lend experts for handloom industry in the Italian administered Somaliland to build handlooms and operate them.

FOREIGN

Countries outside the Iron Curtain produced more crude oil each day during March this year than they have done in any previous month. Daily output reached 13,669,000 barrels, or180,800 barrels more than the February figure.

*

The United States Foreign Commerce Bureau has approved the export to Rumania of 600 latest Chevrolet limousines.

*

Prices of pig iron have been raised in Germany by 2.3 per cent, with effect from June 15. This follows the recent increase in the price of rolling mill products. A similar rise is expected for open cast steel and cast iron.

*

A newsprint famine within ten years is envisaged by the British Vice-President of the International Federation of Newspaper publishers, unless other means of supply are devised.

*

The World Bank has approved a 25-year loan of $15.9 million to the Colombian National Rail-roads. The loan is for the purpose of financing 190-mile extension of the Magdolena Valley rail-road.

*

An agreement has been signed between the Foreign Operations Administration, U.S., the Pan American Airways and Turkish State Air Lines for the development of the airline industry of Turkey. Under the agreement, Pan-American Airways will provide technical assistance for three years and train Turkish aviation personnel to operate the airline with the most modern techniques both in the air and on the ground.

*

A new, very efficient, cheap and easy to handle apparatus for drying grain by exposing it to the action of infra-red rays has been designed and produced by the Crackord Establishment of the Central Institute of Industrial Safety in Poland.

*

The inter-Governmental Agreement recently concluded between Pakistan and India makes provision for **ad hoc** transitional arrangements for the period April 1 to September 30, 1955, and, after taking into account Pakistan's ability to transfer water in replacement from the Western Rivers, establishes agreed **ad** hoc amounts for additional Canal withdrawals by India from the three Eastern Rivers (Ravi, Beas and Sutlej) during the period covered by the Agreement.

*

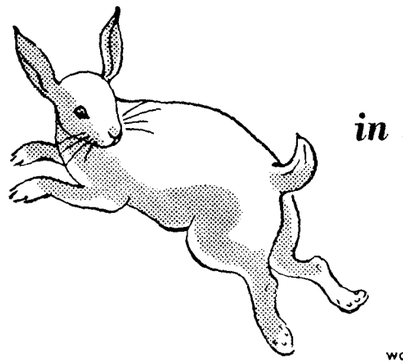
The Food and Agricultural Organisation of the United Nations, which is preparing a series of studies on shift cultivation in jungle areas of the world, is planning to make similar observations in India, Central America, the Philipines and New Guinea.

*

Professor George Findlay Shirras, who died of a heart attack recently, was one of the World's leading statistical experts. He spent many years in the Indo-Pakistani sub-continent.

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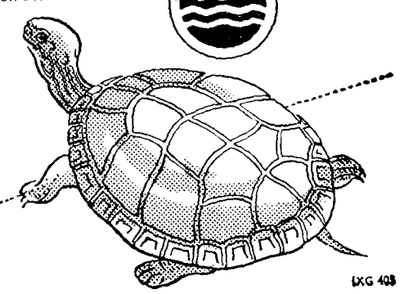
It is reported that Pakistan Industrial Industrial Bank may be established at an early date. Pakistan is understood to have approached,—the World Bank for a sizable loan to meet the foreign exchange requirements of the proposed bank.



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Special Articles

ECONOMIC PROGRESS IN THE MIDDLE EAST

THE report on "Economic Development in the Middle East, 1945 to 1954" issued as a supplement to the United Nations World Economic Report for 1953-54 discloses, what has already been known for some time now, that the rate of economic progress in the Middle East countries is among the higher ones in the world. In the region as a whole, says the Report, the rise in national income was distinctly greater than the population growth, though great differences exist between individual countries. There is good reason to believe that in future also the progress will be rapid, with an increasing proportion of the national income being absorbed by investment. It is, however, felt that consumption has not matched the increase in per capita incomes, possibly due to an unequal distribution of the increments of output, which in particular countries has been partly offset by increased State provision for social services. Such stagnation in consumption is not regarded as a virtue; considering the type of economic development and the stimulating forces, the slower rise in consumption seems to be an inhibiting factor.

This progress cannot be precisely measured for all countries for lack of statistics of national income. Even total income statistics may be misleading; we must try to separate the prosperity arising out of oil wealth from the rate of increase over the rest of the economy of the countries concerned, to see if the people as a whole are making progress. Exports of crude petroleum and refined products have increased from 28 million tons in 1946 to 81 million tons in 1950 and to 125 million tons in 1954. The direct oil revenues increased from the annual rate of $55 million in 1946 to $700 million in 1954, the total for the nine years amounting in all to $2,500 million; this is in addition to the income arising out of wages paid out and local purchases made. Investments in the oil industry have more than doubled since 1945 and some new refineries have been set up. Of a total of about $3.8 billions of foreign investments which has flown to Middle Eastern countries, a third was in petroleum companies. Thus output of crude oil has multiplied by over four times and refinery capacity increased by 50 per cent. This has been a great source of dynamism in the economies of the region, because of the incomes generated.

But this is not the whole story and though oil revenue has provided the stimulus by adding to incomes and enabling Government expenditure, production both in agriculture and industry has increased. In the post-war period (1945-57) agriculture in the Middle East had declined below the 1934-38 average, but this was made up by 1950 and in 1953, a 50 per cent increase was recorded over 1945-47. Turkey achieved the largest increase in foodgrains and Syria, Iraq and Egypt have also expanded grain production. Egypt and Sudan have benefited by cotton prices. Over the whole region there has been an extension of the cultivated area by 40 per cent above the pre-war average, while the total population in the region is only about 25 per cent greater than before the war. Per capita food consumpion had regained pre-war levels in 1950 and is now slightly higher.

PRODUCTION IN THE MIDDLE EAST

			1938	1950	1953
Wheat					
(Million tons)	Middle East	..	8.3	13.8
	Turkey	..	3.8	8.1
All Grains					
(Million tons)	Middle East	..	18.9	27.9
	Turkey	..	7.4	14.3
Industry (1946=100)					
(Indices)	Electricity	54	165	244
	Cement	76	158	196
	Cotton yarn	59	125	151
	Cotton fabrics	64	91	133
	Sugar (1)	94	117	171
	Sulphuric Acid (2)	31	215	281
	Superphosphates (2)	67	235	451
	Nitrogenous fertilisers (3)	100	120	4,260
	Steel	..	154	276
	Soap(1)	76	100	130

(1) Egypt, Turkey, Iran, Syria and Lebanon

(2) Egypt, Turkey and Israel

(3) Egypt and Turkey.

Industrial production in the region (excluding all stages of oil production), has also increased by 50 per cent during the war and by a greater proportion since then. New industries have been established mainly in Israel, Egypt and Turkey. Of the 2 million persons employed in manufacturing in the area, three-fourths are in Turkey and Egypt. In Iran, Syria and Iraq consumer goods industries have sprung up. While the industrial growth is still due to private enterprise,

NATIONAL INCOME, INVESTMENT AND PRICES IN SOME MIDDLE EAST COUNTRIES

Country	Currency		Pre-war	1945	1950	1953
Egypt (N.I.)	E£ Million	National Income	168	502	860	856
		Capital Formation	8	122	113	..
		Price Index	100	317	329	339
Israel	(I£ Million)	Net Income	..	..	337	1,050
		Net Investment	..	..	112	292
		Index of cost of living	..	..	100	219
Turkey	(Liras Million)	Gross National Product	1,952	..	9,881.1	16,321
		Investment	..	..	..	2,060
		Price Level	21	95	97	107

Government assistance has played a notable part. Manufacturing industries have mainly proceeded on import substitution, which is the normal feature of expansion of an underdeveloped economy; that means that the market is ready and is moderately well developed by cheap foreign goods.

Whereas in agriculture good seasons have, as in India, helped greatly, various measures have been put into operation to improve methods of cultivation and increase yields per acre which are now above pre-war. But in industry, the major dynamic factors has been the widening of the internal markets owing to increased oil revenues and to better agricultural production. It supports the thesis that development does not necessarily involve a restriction of consumption but its diversification.

It is difficult to measure the rate of advance, for a whole region with many disparities in natural resources and abilities. But it is easy to demonstrate that where productivity is very low, the initial stages of development through a reorganisation of resources can yield high returns. A good beginning has been made and better techniques will be put into operation to use idle resources. Oil income may often prove a source of inflation which will steadily expand the market for consumption goods and so long as opportunities are open to profit by this expansion, progress seems to be possible at a satisfactory rate.

INDIA'S TRADE IN WORLD PERSPECTIVE

THE major developments in the external trade of India in the recent past can now be assessed in the light of the changes in the pattern of world trade The United Nations World Economic Report, 1953-54, emphasizes the basic change in global trade which bears a distinct impress of relief from the strain of balance of payments difficulties for a majority of the countries. It is significant that the current easy position in respect of balance of payments has been achieved without reliance on the abnormal size of demand from the United States. This shift towards regional diversification is important for progress towards the goal of multilateral trade. It must be interpreted in a restricted sense since several countries have managed to balance their payments account with the U.S. by retention of import controls. The liberalisation of trade with the U.S., wherever it is introduced, as in Western Europe and India, ought to be regarded as tentative.

In fact, the scale of the American demand in the last two calendar years has gone down. One vital factor which imparted a tone of buoyancy to world trade is the rising and sustained level of demand emanating from Western Europe. The support which the revival of economic activity in Western Europe lent to primary products is certainly one of its outstanding features. Variations in India's foreign trade during these two years conform to this global trend. Between 1953 and 1954, India's imports from the OEEC countries, as the Table on the next page discloses, rose from Rs. 97.2 crores to Rs. 126.1 crores, accompanied by an increase in the value of exports from Rs. 44.7 crores to Rs. 54 crores. The limited size of India's trade with this area, however, is explained by the conventional pattern of her trade.

Total world trade achieved a new peak in 1954 and while the larger share of this increase has been claimed by the group of industrial countries, primary producing countries have also secured a fair share. In the UN classification of trade regions, India is included in the primary producing countries as a part of the overseas sterling area. This classification which is made on a broad basis does not properly define the character of India as a partner in the world trade. India's position is somewhat anomalous as she stands mid-way between the two groups. Accepting the UN classification, it would appear that the increase in India's trade in 1954 has been higher than the increase in the combined trade of the primary producing group. The Reserve Bank of India's estimate puts the increase for the last year at 5.6 per cent.

Over the primary producing countries as a whole, there was a distinct upturn in their staple products. This increase was largely accounted for by Latin America and the overseas sterling area. Argentina was the main contributor from among the Latin American countries and a reassuring price level for petroleum coupled with the high tempo of demand for coffee and cocoa as well as a sharp rise in their prices strengthened the export position of that continent. In the sterling area, Australia's earnings from wool could not, however, be sustained in the second half of 1954. India's share in the export of the overseas sterling area, however, relates primarily to her exports of tea (Rs. 130.7 crores in 1954)—an increase of 30 per cent and jute manufactures which rose by 10 per cent to Rs. 121.4 crores. The higher levels in the export trade of the primary producing countries could not be expected to be shared by all the countries and among those which had lower exports were Australia, Brazil, Canada, Pakistan, Taiwan and Thailand. The decline in their exports is attributable to the fall in the external demand for their staple products—cereals, coffee, cotton, jute, sugar and wool.

Any attempt to find a common trend in the movements of the prices and volume of primary commodities as they enter into the world trade is bound to prove fruitless, as the impact of demand from importing countries must vary widely from region to region. Again from the view-point of the exporting countries the supply position is influenced by a variety of factors, as illustrated by the crop conditions in plantations and agriculture affected by weather. Recovery in the export prices of rubber, wool, jute and cotton in the last year demonstrates the net effect on the expansion of their trade at a modest pace. The unit value index of agricultural raw materials (1953 = 100) stood in 1953 at 99, while in the case of minerals it rose to 117. India's exports of minerals establish the wide discrepancies in export earnings as between different countries in the primary producing group. As compared to 1953, her exports of manganese ore fell steeply by 45 per cent to Rs. 14 crores in 1954, while mica had a fall of 25 per cent to Rs. 6.5 crores.

Developments in the direction as well as composition of individual countries cannot adequately be traced on the basis of their two-fold classification as adopted in the UN report and it must be stated in fairness to it that it does not make any such attempt. On an individual basis, the changes in the direction of India's foreign trade are apparent from the Table set out in this article. Her trade with the sterling area is again on the increase, the expansion being quite marked in imports which rose by Rs. 33 crores. The lower trade and expanding trade surplus with the dollar area of the order of Rs. 11 crores in 1954 as against 1.5 crores in 1953 is in keeping with the overall world trend. The higher volume of trade with OEEC area marks a reversion to the pre-war pattern and among India's suppliers of capital goods, Western European countries are now reclaiming a larger share. The expansion in India's imports from the rest of the non-sterling area to Rs. 68.8 crores is in a large measure the result of bilateral trade agreements.

On the basis of the first three quarters, the overall trade deficit of the industrial countries of the world was reduced from $4.30 billion (U.S.) in 1953 to $3.25 billion in 1954. For the primary producing countries combined, the deficit was enlarged from $0.58 billion in 1953 to $1.0 billion in 1954. The trend in India's trade balance, although it runs counter to the overall surplus of the overseas sterling area, is in keeping with the primary producing group. India's trade deficit has increased from Rs. 39.1 crores in 1953 to Rs. 75.7 crores in 1954—a rise of 87.5 per cent. No signs of alarm need be read in this trend and it is characteristic of the prevailing mood of confidence in the health of the economy of the country that, while exports are being promoted by removal of duties and active stimulation, the liberalisation of import trade was deliberately continued in 1954. Reduction of food imports released in 1954 foreign exchange of the order of Rs. 31 crores. India's expanding import surplus is explained by the requirements of planned development and the increase of Rs. 18 crores to Rs. 83 crores in the imports of machinery and vehicles in the first three quarters of the last year is an indication of this trend.

REGION-WISE ANALYSIS OF INDIA'S BALANCE OF TRADE

(In crores of Rs.)

Area	1954 Imports	1954 Exports	1954 Trade Balance	1953 Imports	1953 Exports	1953 Trade Balance
Sterling Area Excluding Pakistan	319.5	295.1	—24.4	286.5	273.6	—12.9
Pakistan	12.7	11.0	— 1.7	14.1	7.4	— 6.7
Dollar Area	97.5	108.5	+11.0	118.6	120.1	+ 1.5
OEEC Countries	126.1	54.0	—72.1	97.2	44.7	—52.5
Rest of Non-Sterling Area ..	68.7	80.2	+11.5	58.7	90.2	+31.5
TOTAL	624.5	548.8	—75.7	575.1	536.0	—39.1

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The Business World

THE LOAN AND THE LENDER

THE success of the Government of India's loan (3½ per cent 1965 National Plan Bonds—Second Series), although not altogether unexpected, has taken some seasoned money market men at least by surprise. It is not that they disapproved of the terms or the ability of the authorities to evoke sufficient response. But these circles felt that there was not enough money with the public to subscribe freely to the loan. Does the response to the loan belie this?

Let us examine the total subscription figures as released by the Reserve Bank. The communique issued by the Bank says that, as against the Rs. 100 crores offered, the total amount of subscriptions aggregated approximately Rs. 103.65 crores, of which conversions amounted to Rs. 57.87 crores. This means that cash subscriptions alone amounted to nearly Rs. 46 crores—Rs. 45.78 crores to be precise. Now, out of the two outstanding loans that could be offered for conversion (4½ per cent 1955-60=Rs. 9.05 crores+2½ per cent 1955 =Rs. 60.45 crores) it was expected that most of those who held the 2½ per cent 1955 loan would opt for the new loan by reason of the relatively better terms of the new loan. To the extent that these holders have not done so, therefore, it is permissible to assume that they preferred repayment, which is more probable, or to switch over to some other form of investment. If the holders of the 4½ per cent 1955-60 loan preferred repayment in cash to exchange for the new loan, they cannot be blamed for the obvious reason that the terms offered were not favourable to them. On this basis, it may be argued that the cash subscriptions actually exceeded expectations alike of a section of the money market and of the authorities themselves.

But it would be rather facile to hasten to this conclusion before one has an idea of the amount of the existing Government securities disposed of by the holders, mainly institutional, with a view to going in for the new loan. If this has been resorted to on a large scale, it only means that money already invested in an old loan has been turned over to the new loan. In other words, there would be no large-scale net absorption of fresh money, not even to the extent ostensibly represented by cash subscriptions. It would be interesting to know these details from the authorities, but as they are not likely to make this information public—they have never been in a hurry to do this—both the schools in the money market, one asserting that there is plenty of money about and the other arguing that there is not much idle money awaiting investment, can continue to stick to their view, although the latter can score a point by pointing to the fact that its view is confirmed by the very fact that the authorities have come out with a loan for only Rs. 100 crores, as against a total borrowing target for the Centre of Rs. 125 crores budgeted for by the Union Finance Minister. This argument may, however, be met by the other school by saying that the Government of India's decision to borrow only Rs. 100 crores has stemmed out of its concern for the State Governments which are expected to enter the market shortly, unlike last year when the Centre itself borrowed on its own and also on behalf of the States. All the same, it is permissible to infer that, to some extent at least, the authorities were influenced by a spirit of caution, presumably because they must have felt that the tempo of deficit financing has not been as much as was thought out it would be at one time.

It would, however, not be correct to arrive at a categorical conclusion on this point from the response to the new loan only. If there has not been more subscription from the public to the loan, it may be because there are relatively more attractive alternate investments. Latterly, for instance, there have been issues of debentures and redeemable preference shares on very attractive terms. The fact that many of these issues have been classified as Trustee Securities has doubtless been an additional inducement to institutional investors. This apart, one cannot ignore the fact that there has been a marked expansion in credit. The deposits with the scheduled banks are a clear proof, if proof were needed, of the relatively larger supplies of money with the public.

A POLICY FOR COTTON

By

CROESUS

WHEN, as Union Minister for Food and Agriculture, Mr. K. M. Munshi inaugurated his triple self-sufficiency (food, cotton, and jute) programme, there were sceptics who questioned the desirability, as also the feasibility, of such a programme. Those sceptics must now be feeling that there was indeed much insight and farsightedness behind the move of Mr. Munshi. But who would then have dreamt that India would have had a cotton crop of as much as 49.50 lakh bales in 1954-55? Yet, such is the estimated (commercial) crop of Indian cotton for that season. With this crop and a carry-over from the previous season of 20.22 lakh bales (which itself was nearly 2½ lakh bales more than the previous season's carry-over of 17.96 lakh bales), together with imports of about 5 lakh bales, the cotton supply position in the season 1954-55 has been very comfortable. As Mr. Jehangir P. Patel, Vice-President of the Cotton Buyers' Association, Bombay, observed at the last Annual General Meeting of that body; "this is an achievement which the country can well be proud of, since it proves the fact that India has now attained a very large degree of self-sufficiency in her cotton supplies". It is noteworthy that cotton has achieved this gain not at the cost of the country's food crops, but through other means such as better cultivation methods, increased use of fertilisers, extended irrigational facilities and cultivation of higher yield varieties, not to speak, of course, of the favourable weather. There is now no need to fear—as some are disposed to do—even if one may not expect a continuance of favourable monsoons year after year—that cotton cultivation will receive a setback, thanks to the completion of the several multi-purpose projects and the resultant better irrigational facilities. Nevertheless, the authorities must not feel unduly complacent over what has been achieved.

Now that it has been the good fortune of India to have had a good cotton crop with prospects of its con-

tinuance in the years to come as well, it is very necessary that adequate steps should be taken to absorb the increased production. Accordingly, to quote Mr. Patel again, "Care should be taken to see that the surplus which this increased production will create does not prove burdensome and does not tend to act adversely on the cotton economy of the country." How can this be done? The Cotton Buyers' Association Chief has himeslf offered a perfectly feasible fourfold export policy programme as a solution. The need to have a stable export policy is obvious not only because there are keen competitors in the field with better resources but also because, in the absence of an internal market for all the cotton that is being produced, other outlets such as exports must perforce be found. In this context, the following statistical position as outlined by Mr. Patel is of interest:

1954-55 SEASON

(In lakh bales)

Supply:

Carry-over from the previous season	20.32
Current Season's crop	49.50
Imports	5.00
Total Supplies	74.82
Distribution:	
Mill Consumption:	
Indian Cotton	41
Foreign Cotton	6.5
Exports	2.75
TOTAL	50.25

Balance, being the carry-over for the next season = 24.57 lakh bales.

The next season's crop is also expected to be in the region of 50 lakh bales, and it is anticipated that total imports would amount to about 6 lakh bales. There will thus be, in the aggregate, a comfortable supply of 80.57 lakh bales for disposal in the next season (1955-56).

In view of this extremely comfortable supply position, the suggestions made by Mr. Patel are not only timely but worthy of careful consideration. His first suggestion was that the Government must release for export, before the commencement of the new season, 2 lakh bales of cotton (both old and new) of staple lengths up to and including 13/15". Secondly, he wanted export releases to follow the emergence of demand in the foreign markets and not after the demand has ceased to exist. His third point was that the Government should follow a steady policy as regards export duty. Here, again, he urged that any announcement bearing on export duty be made only at the beginning of the season and not at random in the middle of a season. Finally, Mr. Patel desired that top priority should be given to the movement of cotton destined for export.

It is gratifying to note that the Government of India has promptly acted on at least one of the suggestions of the Cotton Buyers' Association spokesman. On the first of this month, the Union Government notified a reduction in the export duty on all varieties of cotton from Rs. 150 per bale to Rs. 125 per bale. It also decided to allow an additional export quota (for the 1954-55 season) of 150,000 bales. This is good in so far as it goes, inasmuch as it has come well before the commencement of the new cotton season. The Government's decision further to do away with the allocation of cotton to mills and also to maintain the floor and the ceiling prices at the present level for the next season removes considerable uncertainty in the minds of the cotton trade. For some time past, it may be remembered, there was an agitation in certain quarters that the floor level should be reduced. This was, of course, out of the question. Inasmuch as the Government is intent on stabilising agricultural prices, it would have laid itself upon to blame if it had done so, besides inviting vigorous criticism from champions of the agriculturist classes. However, the Government might have considered Mr. Patel's suggestion in the light of the availability of ample supplies of cotton during both the present and the next season to do away with the only remaining vestige of control on cotton, viz., that on cotton prices. In not having done so and in not having even indicated (in the press note issued by the authorities) that the Government would undertake an immediate review of this aspect of the question as Mr. Patel has urged, the Government was probably influenced by the consideration, as alleged by some, that, if control on cotton prices were lifted, the mills might benefit unduly, first, by way of lower prices for the raw material and, secondly, in the form of higher prices for its finished products. This, in our opinion, is not only not warranted but a little far-fetched. For, in the buyers' market of today and with so much of keen competition from both Lancashire and Japan it is unfair to the Indian mill industry to regard it as being so short-sighted as to increase the prices of its goods and thereby risk a loss of an otherwise assured market.

Mr. Patel's plea for top priority for movement of cotton destined for export only serves to remind one of the inability of our railways still to meet the growing transport requirements of this country's steadily expanding trade and industry. It goes without saying that the responsibilty of the Government does not cease with releasing quotas for export. Simultaneously, it must also notify to the Railways to accord the highest priority to the transport of cotton intended for export. One of the several charges levelled against Indian exporters by our foreign customers and also by our Trade Commissioners abroad is that they (Indian exporters) do not keep to a time schedule. Does it not behove the Government, before allowing its spokesmen also to join in accusing the shippers of delayed shipments, to remove all causes of delay for which it is itself responsible?

HASTINGS MILL LIMITED

NOTICE

The Annual Ordinary General Meeting of the Shareholders will be held at the Registered Office of the Company, 14-Netaji Subhas Road, Calcutta, on Monday the 25th July, 1955, at 3-30 P.M. for the purpose of receiving the Directors' and Auditors' Report, passing the Accounts for the year ended 31st March, 1955, declaring Dividends, electing Directors, appointing Auditors and transacting such other business as may be brought forward.

The Share Transfer Registers of the Company will be closed from 11th July to 25th July, 1955, both days inclusive.

The Dividends will be paid to Registered Shareholders.

By Order of the Board,
Per Pro. BANGUR BROTHERS, Ltd.,
Sd/- N. D. Bangur,
Managing Agents.

CALCUTTA, 27th June, 1955.

BUSINESS NOTES

INSURANCE AT THE CROSS-ROADS

AT A time such as the present, when the question of nationalisation of insurance is being given active consideration in official circles, it is but right and proper that top-ranking executives in the line, such as Mr. A. D. Shroff, Mr. N. Rama Rao and Mr. M. G. Mody, should come out with forthright statements drawing public attention to the dangers inherent in the Government's contemplated move. These thoughtful men wonder what the Government, which already controls and directs the insurers and the investment of their funds, hopes to gain by the nationalisation of an industry which, as a private enterprise, has a good record of service to its credit and which owes its success essentially to personal service. Presiding over the 27th annual meeting of the Indian Insurance Companies Association, Mr. Mody reiterated these views and said that once the Government assumed management and ownership of insurance, the bright prospects of expanding insurance business in the rural areas in the years to come would fade out. Indian insurance business abroad would also receive a crippling blow, resulting in loss to the country of a valuable source of foreign income.

Touching next on the developments in various fields of insurance during the past year, Mr. Mody felt that the reduction of premium rates in the fire section had been forced by the authorities on the assumption based on the results of only the last three or four years that the rates of fire insurers were very high. It would be only fair on the part of the authorities to respond to his plea for keeping a watch on the effects of the reduction and, should any adverse results eventuate, promptly enforce an upward revision of the tariffs. It is equally advisable to check the unhealthy rivalry of non-tariff insurers in the automobile section. Marine insurance business is also being written at a very uneconomic level. As regards the statutory limitation on overall costs, which is not conducive to the development of companies having no tied business in big block, Mr. Mody maintained that "the stage has come when we have got to make up our mind whether we want only a few big companies to operate in the country or we want business to be handled also by medium-sized and smaller units".

SALE PRICES OF STEEL RAISED

THE RISING trend in world prices of steel during the last twelve months, after a brief spell of stabilisation at moderate levels, had created apprehensions for some time past that pressure would be exerted on the sale prices of steel in this country in the upward direction. Those apprehensions have now come true. Sale prices have been increased with effect from July 1. The increase is not applied at a uniform rate for different varieties of steel, the determining factor in the quantum of increase being the amount of subsidy to be paid for different grades of imported steel. This policy flows logically from the scheme of control of steel prices. A few varieties used for agricultural and domestic requirements like galvanised sheets have had to bear a light burden of increase, but it cannot be argued by any stretch of reasoning that the increase has been nominal or negligible. By and large, the increase has been as high as Rs. 20 per ton. The price of a wide range of imported varieties has been raised now to Rs. 420 per ton. This is the crux of the latest price revision. During the last three years, the sale price of steel has been raised thrice, the combined increase amounting to Rs. 67 per ton.

This increase in the pool price of steel has been found inescapable in view of the heavy rate at which the Steel Equalisation Fund was being depleted. The margin between the landed cost of steel and the sale price fixed under the control mechanism represents the amount of subsidy paid out of the Steel Equalisation Fund and this margin kept on increasing in recent months. Since world prices of steel showed no signs of coming down, suitable action had to be taken to safeguard the position of the Equalisation Fund by relieving the strain of the subsidy on it. It should now be possible to maintain a relatively high rate of imports which is necessitated by the expanding requirements of steel under the development projects. This year's import programme of 350,000 tons will be completed according to schedule, as hardly 60,000 tons are left uncovered by actual orders at the present time.

It will be recalled in this context that the retention price of steel from Indian Iron and Tata Steel has been increased, as an interim measure until the Tariff Commission completes its pending price enquiry, to Rs. 385 per ton on a uniform basis with retrospective effect from April 1. This amounts to an increase of Rs. 7 per ton in the case of Indian Iron and Rs. 54 in the case of Tata Iron, on the basis of their works costs. It is beside the point here that this increase has been granted on the explicit condition that its proceeds will be earmarked for re-investment in the plans of expansion and modernisation. But it is important to note that the direct consequence of this increase in the retention price will be to reduce accretions to the Steel Equalisation Fund. This consideration too must have weighed as one factor in raising the sale prices.

"VIRGINIA" AND "BIDI" TOBACCO

INDIAN TOBACCO exports have, of late, been following a favourable trend. In 1954-55 our exports rose to 76.4 million lbs from 72.2 million lbs in 1953-54. If, however, India's competitive position in London and the continental markets is to improve and our growers are to be ensured at least the prices in parity with those prevailing in foreign markets, it is necessary to effect certain improvements in respect of production and marketing of this commodity. At the recent annual meeting of the Indian Central Tobacco Committee, held in Madras under the chairmanship of Mr. K. R. Damle, some of the factors involved were dealt with. Considering the preference shown by the British markets for fine-textured and flue-cured Virginia type, the need for concentrating on the production of leaf of this character has become imperative, and the Central Government has done well in sanctioning a scheme for tobacco extension service for the Guntur district in Andhra which is an important centre for the cultivation of Virginia tobacco. If this scheme is immediately implemented, the problem of eliminating low grade tobacco may also solve itself.

The Government of India's efforts for promotion of tobacco export—including stationing of officers charged with export promotion work in the U.K., in Antwerp and in Hong Kong—have resulted in the clearance of large stocks of Virginia leaves which had accumulated in the country. But the position in regard to bidi tobacco is not so favourable. Large stocks continue to be with growers and traders. The market for this tobacco outside the country is inconsiderable and remedies other than those which have helped India in the disposal of Virginia stocks will have to be found. The matter should receive the urgent attention of the Government of India, whose announcement, some time back, of a reduction in the excise duty on the accumulated stocks of 1953, does not appear to have produced tangible relief to the producer or trader concerned. A former Vice-President of the Central Tobacco Committee, Mr. M. A. Parikh, apprised the meeting of the dif-

ficulties caused to the bidi tobacco trade by the assessment of excise duty on bidi tobacco at different rates in different localities on the basis of the extent of its actual use in bidi making. The Government has not yet set up the inquiry committee in pursuance of the Taxation Enquiry Committee's suggestion on this issue. There is also the need for a searching enquiry into the tobacco marketing conditions in the country. It is high time that the State Governments concerned provided regulated markets where they do not exist. As in the case of other commercial crops, regulated markets are necessary for tobacco to ensure the producer a fair price for his produce and to protect him from unauthorised deductions and other grievances.

PROGRESS OF CIVIL AVIATION

THE HALF-YEARLY progress report on civil aviation in India for July-December, 1954, discloses continuance of the improvement which, since the reorganisation of the Indian air services in August 1953, both Air India International and Indian Airlines have been making in respect of carriage of passengers and flying mileage. Indian aircraft, both scheduled and non-scheduled, flew nearly 13.2 million miles, during the second half of 1954, as against 12 million miles flown in the previous half year. The number of passengers carried increased from 281,611 to 282,405, freight from 82 million lb. to 99.7 million lb, and mails from 4.6 million lb. to 6.1 million lb. in the corresponding period.

Giving breakdown figures, the report also shows that Air India International flew 1,783,599 miles, carrying 20,796 passengers, 905,991 lb. of freight, 35,749 lb. of newspapers and 345,609 lb. of mails, as against 1,578,882 miles flown and 15,705 passengers, 912,929 lb. of freight, 54,347 lb. of newspapers and 258,554 lb. of mails carried in the previous half-year. The Indian Airlines Corporation flew 8,321,998 miles on scheduled services, compared with 8,113,217 miles during January-June, and carried 195,655 passengers, 41,431,431 lb. of freight, 3,175,589 lb. of newspapers and 5,756,539 lb. of mails, as against 199,439 passengers, 36,921,701 lb. of freight, 2,977,169 lb. of newspapers and 4,312,023 lb. of mails in the preceding half-years. This diminution in the number of passengers and mails is also repeated in the number of passengers and freight carried by the night airmail services, which decreased from 14,626 to 11,767 and from 673,782 lb. to 610,863 lb., respectively.

Not much progress has been achieved in one important aspect of the Plan for the development of civil aviation, namely, the provision of increased aerodromes and auxiliary facilities, work on which has proceeded slowly owing to delays in the acquisition of land and the purchase of technical equipment. As against the Plan provision of Rs. 10.07 crores, the expenditure on the construction of new aerodromes and improvement of the existing ones in the first three years of the Plan period was only Rs. 3.84 crores, of which Rs. 1.39 crores was spent in the year 1953-54. Similarly, the expenditure on equipment for air routes and aerodromes in the first three years was only Rs. 16.24 lakhs as against the Plan provision of Rs. 67.80 lakhs. Progress on the programme relating to aeronautical communication services has also been slow. One cannot be too sanguine about the progress that has since been made.

POPULARISING PLASTICS

ALTHOUGH THE Indians plastics industry is of recent growth, it is gratifying to know that, instead of confining itself to purely utility goods, the industry is now extending its activities to the manufacture of a wide range of industrial items consumed by building, engineering, chemical and electrical industries, and for telephones, automobiles, radios, textiles, camera and surface coating. Plastics are rapidly replacing traditional raw materials like wood, leather, porcelain, rubber and glass. In other words, the development of plastics has brought about a small but significant revolution in the field of consumer goods and industrial raw materials, as Mr. Tulsidas Kilachand observed in his presidential address to the eighth annual conference of the All-India Plastic Manufacturers' Association, held in Bombay a few days ago.

The total investment in plastics industry in India amounts to about Rs. 7½ crores and the 100 manufacturing units provide employment to around 15,000. But the annual domestic consumption of plastic goods (estimated at 4,000 tons) is obviously so small that the manufacturers often complain of unutilised capacity which, of course, largely arises from the low purchasing power of the people. Apart from this fact, however, if the industry has to make notable strides both in the domestic and foreign markets, continuous research must be made to improve quality and standardise the products. The temptation to sell cheap, scrappy material in the market by resorting to unfair rivalry must be resisted. A major responsibility devolves on the manufacturers to remove the existing consumers' prejudice against such plastics goods.

The Government of India has, no doubt, recognised the importance of the plastics industry by setting up a separate development wing to assist the industry and proposing the establishment of an Export Promotion Council for plastics. In this context, as Mr. Kilachand has suggested, the Government could go a step further by including Indian plastics goods in the list of articles when bilateral agreements are concluded with other countries.

DEVELOPMENT OF FISHERIES

MEASURES TAKEN so far to exploit the country's sea food resources have not been as satisfactory as they were expected when the first Plan was ushered into existence. The Plan provided for a total expenditure of Rs. 5.14 crores by the States and the Centre. Out of this only a sum of about Rs. 1.30 crores (or 25 per cent) had been spent in the first three years. Figures are not yet available to show whether the expected increase in production at the end of the Plan (from 1 million tons to 1.5 million tons) has materialised. Only a very small portion of India's fishable area of 110,000 square miles is at present worked, because the methods used by Indian fishermen are not modern. Mechanisation of country craft and chartering of deep sea fishing have made some headway thanks mainly to the equipment received through the Indo-U.S. technical co-operation scheme. Under the second Plan, the mechanical vessels that will be used for stepping up fishing operations are expected to be bigger and better equipped than the ones now used.

Training in power fishing to some extent has been imparted by six Japanese and ten Norwegians experts under the U.S. Technical Aid Programme and the Norwegian Aid Programme. But the existing fisheries staff in most States requires intensive training for which adequate provision has not been made in the Plan. This gap must be adequately met during the second Plan period. The commendable work done by a Japanese trawler on the West Coast should encourage Indian private firms to take active interest in coastal fishing. It is also necessary to provide adequate harbour and landing facilities. It is gratifying to note that in three or more places on the coastline "fishing harbours" would be constructed, but the success of commercial fishing is also dependent upon the provision of more refrigeration plants, quicker transport and efficient marketing facilities. While the 11 insulated rail transport van, as provided for in the first Plan, have been obtained under the Indo-U.S. Technical co-operation programme, only two cold storage plants, out of 9 recommended, have been installed so far.

COMPANY AFFAIRS

BRITISH INDIA GENERAL INSURANCE

The Company maintained its all-round progress in spite of a difficult year for general insurance due to acute competition resulting in a rate war especially in the non-tariff section. During the year ended December 31, 1954, net premium in general department increased to Rs. 61.32 lakhs against Rs. 57.87 lakhs during the year before. The Fire claims ratio shows an improvement and stands at 31.59 per cent against 33.70 per cent, but there is an increase in claims in the Marine and Accident Departments. The total claims paid and outstanding in all the three departments (Marine, General and Accident) gives a ratio of 37.63 per cent as against 37.57 per cent in the previous year.

The Reserve for Unexpired Risks, together with the additional Reserves created amounts to Rs. 36.11 lakhs, against Rs. 34.08 lakhs last year. The Investments show an increase by Rs. 5.27 lakhs and stands at Rs. 21.14 lakhs during the year under report.

After crediting Rs. 1.76 lakhs as interest, and transferring the profit from the Fire and Accident Revenue Accounts, the total account amounted to Rs. 6.58 lakhs. Transferring Rs. 9 thousand to the Life (closed) Account, and debiting Rs. 43 thousand as expenses not charged to Other Accounts, Rs. 6.06 lakhs were transferred to the Profit and Loss Account. Rs. 2.15 lakhs were provided for taxation against Rs. 2.30 lakhs last year.

The directors have recommended a dividend of 11¼ per cent against 10 per cent last year.

Year ended December	1952	1953	1954
Paid-up Capital	20.00	20.00	20.00
Profit*	5.86	3.80	3.91
Taxation	2.10	2.30	2.15
Dividend (rate per cent)	10	10	11¼
Carried forward	0.99	1.24	0.83

* After providing for Taxation.

THE NEW INDIA ASSURANCE

The total premium earned by the Company in the general and life departments reached a peak at about Rs. 10 crores during the year ended December, 1954. The general department contributed Rs. 4.37 crores, an increase of Rs. 47 lakhs over 1953. There was a phenomenal progress in the life department. Net sum assured during the year amounted to Rs. 43.42 crores, showing an increase of Rs. 23.51 crores over the last year. As a result of lowered life premium rates, demand for life assurance was stimulated and the premium income amounted to Rs. 5.62 crores.

An amount of Rs. 13.00 lakhs was transferred to Reserve for taxation as against Rs. 19.36 lakhs during the previous year. Transfers to General Reserve were Rs. 10.00 lakhs against Rs. 9.00 lakhs and Transfers to Dividend Equalisation Reserve was Rs. 3.00 lakhs against Rs. 1.00 lakhs during the year ended December, 1953.

The directors have recommended a dividend of Rs. 2-8 per share. The total funds of the Company now stands at Rs. 30.58 crores. The conservative policy has been approved as it provides increasing security to the widening clientele. A sum of Rs. 71,250 has been carried forward.

The profits of a subsidiary Company—the South Indian Insurance Company Ltd.—to the extent of the Dividends for the year ended December 31, 1953, have been credited in these accounts.

SRI KRISHNARAJENDRA MILLS

Encouraging results have been shown by the working results of the Company for the year ended March, 1955, in spite of an acute competition in the buyer's market. The sales of yarn, cloth and hosiery etc. have increased by about 10 per cent from Rs. 88.95 lakhs to Rs. 97.52 lakhs during the year under report. Sales have reflected themselves in profits which have gone up by about 90 per cent, at Rs. 17.78 crores, (before providing for Taxation and Depreciation) against Rs. 9.20 lakhs during the previous year. Provision for taxation this year has been raised to Rs. 2.12 lakhs against Rs. 1.12 lakhs last year and an additional sum of Rs. 3.32 lakhs has been provided for previous years' taxation. Depreciation on Building, Plant and Machinery, etc. have also been raised to Rs. 6.00 lakhs against last years' Rs. 4.32 lakhs.

A sum of Rs. 2.35 lakhs has been provided for cotton price fluctuation reserve. A dividend at the rate of 10 per cent per annum has been decided to be paid against 9 per cent during the previous year and 8 per cent during the year before. Rs. 28 thousands have been carried forward.

(In lakhs rupees)

Year ended March	1955	1954	1953
Sales	97.52	88.95	85.39
Stocks	34.71	23.11	22.65
Net Profit*	17.78	9.20	6.75
Taxation	5.44	1.12	1.00
Depreciation	6.00	4.32	2.11
Reserve Fund	..	0.22	0.24
Other Funds	2.65	0.20	0.50
Ordinary Dividend (rate per cent)	10	9	8
Carry Forward	0.28	0.26	0.23

* Before providing for taxation and depreciation.

INDUSTRIAL INVESTMENT TRUST

The company's investments have brought 4 per cent more income as dividends at Rs. 6.15 lakhs during the year ended December 31, 1954, against Rs. 5.90 lakhs last year. After providing for salaries and wages to the extent of Rs. 23,792 and othe rexpenses the net Revenue for the year is 5.5 per cent higher at Rs. 5.45 lakhs against Rs. 5.18 lakhs last year.

A sum of Rs. 25,000 has been set aside towards Investment Reserve and the Directors have recommended the payment of a dividend, equal to the previous year, at the rate of 4½ per cent per annum.

The company has invested 15.97 per cent in Cotton, 11.24 per cent in Banks, 8.93 per cent in Jutes, 8.63 per cent in Public Utilities, 7.95 per cent in Sugar and 19.69 per cent in 'Miscellaneous.' Investments in Shipping, Tea, Paper, Iron and Steel and Cement is 3 to 4 per cent and still lower in others. The approximate valuation of Company's Investment at market quotations as on December 31, 1954 was higher than the Book Value by 2 per cent.

COMMODITY NEWS AND NOTES

GINGER AND SESAMUM ACREAGE

The area sown with gingelly (sesamum) in Madras State in 1954-55 is estimated at 458,500 acres, states the fourth and final forecast report issued officially. Compared with the final area of 452,700 acres for 1953-54, the present estimate shows an increase of 1.3 per cent. The crop has been or is being harvested in most of the districts of the State. The yield per acre is expected to be normal in the districts of Tanjore and Tirunelveli, and slightly below normal in the remaining districts.

The area under ginger in 1954-55 in the Districts of Madurai, Malabar, South Kanara and the Nilgiris is estimated at 14,880 acres. Compared with the area of 15,250 acres estimated for the corresponding period of last year, it shows a decrease of 2.4 per cent.

The total yield is estimated at 5,090 tons of dry ginger. Compared with the estimated yield of 5,440 tons of dry ginger for the corresponding period of last year it shows a decrease of 6.4 per cent.

MANGANESE ORE EXPORT

The Government of India has reviewed the export policy for manganese ore and iron ore from the ports of Madras, Visakhapatnam, Masulipatam, Kakinada and Bombay in the light of available rail transport capacity and the conditions obtaining in the international market. Movement of ore from Bellary-Hospet (metre gauge section) for export through the ports of Visakhapatnam, Masulipatam and Kakinada and from Bangalore area (metre gauge section) through the port of Madras will continue to be regulated by the issue of registration slips. Such of the registration slip holders as have made no shipments at all since July 1, 1954, will not be issued registration slips but may apply as fresh newcomers.

IMPORT LICENCE FEES

By a notification published in a Gazette of India Extraordinary dated June 30, the fees to be paid by applicants for the grant of import licences have been scaled down. Under the revised schedule, a fee of Rs. 10 will be levied for applications for the grant of import licence where the value of the goods specified in the application does not exceed Rs. 10,000. No fee will be levied if the value of the goods specified in the application does not exceed Rs. 250 provided the goods are required for the personal consumption of the applicant. If the value of goods specified in the application, does not exceed Rs. 25,000, a fee of Rs. 25 will be leviable; Rs. 35 will be charged for goods valued up to Rs. 50,000; Rs. 50 for goods up to Rs. 75,000; Rs. 70 for goods up to Rs. 1,00,000; and Rs. 100 for goods not exceeding Rs. 2,00,000. For goods exceeding Rs. 2 lakhs in value, an additional fee of Rs. 15 will be levied for every Rs. 50,000 or part thereof subject to a maximum of Rs. 250.

WORLD COTTON OUTLOOK

The problem of surplus production of cotton in non-Communist areas of the world is highlighted in a report on the world cotton situation in the 1954-55 season by the International Cotton Advisory Committee. The season has again confirmed the "persistent tendency towards chronic over-production of cotton", the report says. Production again exceeded consumption by a substantial margin despite the rigorous application of acreage control in the United States and the maintenance of record consumption.

Stocks at the beginning of the 1955-56 season will be the highest since the end of the war, mainly due to an expected rise of about one million bales in the United States are likely to show little aggregate chance. Extra long and long staples, however, may be in better supply and demand relationship than medium staples in which most of the increase in production outside the United States has occurred. Although the limited States will again control for the next crop, indications are that many other countries plan to expand their 1955-56 acreage. A key factor, the ICAC says, appears to be India where acreage is expected to remain high.

Consumption will depend mainly on politico-economic factors in the short term. Favourable conditions are likely in the United States and consumption is expected to remain near present levels in Western Europe. The outlet for textiles in Japan is considered problematic. But long-term plans in India are for an increase in consumption. The paramount question for trade is what policy decisions will be taken in the United States. One thing that is certain, the report concludes, is the support of agricultural prices, including cotton, will remain a cardinal principle of United States Administration.

ESTIMATE OF COTTON

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of cotton for 1954-55 puts the current year's area and production at 18.35 lakh acres and 4.30 lakh 4.30 lakh bales (of 392 lbs. each) of cotton lint, as against the partially revised estimate of 17.18 lakh acres and 3.97 lakh bales respectively for 1953-54. The current year's estimates thus show an increase of 1.16 lakh acres or 6.8 per cent in area and 0.33 lakh bales or 8.4 per cent in production over last year. The production of cottonseed is estimated at 1.5 lakh tons during 1954-55, as against the partially revised estimate of 1.3 lakh tons for 1953-54, thereby showing an increase of 0.12 lakh tons. The significant feature of current year's estimate is that it exceeds the Five-Year Plan targets of 18.00 million acres of area and 41.7 lakh bales of production for 1955-56 by 0.35 million acres and 1.3 lakh bales respectively, with still a year left in the Plan period.

EXPORT OF ALLOYS

The export of lead-tin-antimony alloys, such as white metals, anti-friction bearing metals, type metals, printing metals and solders will be permitted for export, provided they conform to the recognised standard specifications, says a notification released recently at Bombay by the Joint Chief Controller of Exports. Shippers who wish to export these alloys should, in the first instance forward to the export trade control authorities at ports analysis reports from recognised analytical laboratories on the physical condition and chemical analysis of the materials along with the sealed samples before filling shipping documents, the notification adds.

SURVEY FOR MINERAL DEPOSITS

The Central Government has decided to intensify the survey work of the field parties of the Raw Materials Division of Atomic Energy Department for the location of new deposits of these minerals and to extend it to areas which have hitherto not been worked as uranium and other atomic minerals have assumed urgent importance for Government atomic energy programme. With the small geological staff of this department, it is necessary to enlist popular co-operation so as to widen and intensify search for uranium and other atomic minerals.

With this object in view the Government is proposing to send round one field party, consisting of eight to ten geologists for tour in certain areas in Punjab during the current recess season some time from June to end of September to educate and create interest among common villagers of the localities in the search for atomic minerals for the discovery of new deposits of which the Government has announced a number of small and big rewards.

Company Meeting

NEW INDIA ASSURANCE CO., LTD.,

Mr. Shroff on Nationalisation of Indian Insurance

Speech delivered by Mr. A. D. Shroff at the 36th Annual General Meeting of the New India Assurance Co., Ltd., on 29th June, 1955.

"Insurance business is essentially international in character, and its free development depends on the promotion and maintenance of international peace", observed Mr. A. D. Shroff, addressing the 36th Annual General Meeting of the New India Assurance Co., Ltd. In this context, he referred to the easing of the international tensions, towards which India's Prime Minister had made a significant contribution.

Apprehensions of a major world recession have been fortunately set at rest, by a distinct upturn in the United States business activity. During 1954, the Governments of the U.K., the U.S., West Germany and number of other countries continued the use of the flexible monetary weapon with a view to stabilising or stimulating activity. In the U.K. the policy of Incentive and Discipline followed by Mr. Butler has struck a responsive chord and the economy has gained a momentum, which, though occasionally hampered by labour troubles like rail and dock strikes, is unprecedented in recent British history.

The picture of the national economy, in the 4th year of the first Five-Year Plan, was generally one of sustained progress and overall stability. Mr. Shroff, however, referred to the shift in Government's economic policy towards a socialistic pattern of society, and deplored a possible further encroachment on the Private Sector, more so, when the Private Sector had fully vindicated itself as evidenced, among others, by a record rise in industrial and agricultural production, respectively, of the order of 40 and 20 per cent, during the first four years of the Plan. He wished that the Industrial Policy Resolution of 1948 had been allowed to run its allotted span of 10 years.

The pattern of the price picture, as it had developed between pre-Korea and now, was disturbing. Mr. Shroff also referred to the rigidity of Government's monetary and industrial policies. For example, the money supply with the public had risen by only 6 per cent, during the last 5 years, as against the tremendous increase in industrial and trade activity. The unbalancing of price levels appeared to indicate a fundamental imbalance in the economy, particularly as the price parity between manufactured goods and primary products had been upset. Productivity, in manufactured goods, was the essence of the Problem. In this connection, Mr. Shroff drew Government's attention to the able plea made by Mr. J. R. D. Tata, while addressing the Annual General Meeting of the Tata Iron and Steel Co,. in favour of rationalization.

Describing the Report of the Taxation Enquiry Commission as a "patchwork", in parts, which may do more harm than good", Mr. Shroff criticised those recommendations of the report, which suggested a steep progressive increase in direct taxation and a ceiling on net personal incomes. Referring to a recent study of tax structures in various countries, Mr. Shroff pointed out the undue heavy load of tax on the upper middle income groups in India—the group on whom rests the sole responsibility of motivating the Private Sector. In view of Governmental policies, towards a reduction of taxes in the U.S., the U.K., Germany etc., the need for a more liberal taxation policy in this country stood out in marked relief.

NATIONALIZATION

The recent references to nationalization of Insurance Industry in India, in Government quarters and elsewhere, Mr. Shroff observed, cannot but harm the cause of Indian Insurance. An objective appraisal of the issues and stakes involved in the proposal to nationalize Insurance would require a consideration of the basic facts of the Industry. These are:

(i) the social and economic purposes, underlining the proposal to nationalize;

(ii) the adaptability of the industry to nationalize;

(iii) the performance of the Indian Insurance Industry;

(iv) the ability of the industry relatively to a state-owned one to fulfil the national objective of optimum production, and

(v) experiences of other countries, in regard to nationalization.

Underlining these vital questions, were the two requisites of successful conduct of insurance business, namely,

(i) the creation and stimulation of the insurance habit, and

(ii) the building of a vast field force.

Discussing the two main classes of Insurance, namely, general insurance and life assurance, Mr. Shroff said that general insurance business is highly complex, technical and essentially international in character, and, as such, was the least amenable to nationalization. It was a necessary adjunct of free and active foreign

trading. Servicing and prompt settlement of claims were the hall-marks of success of private general insurance. Indian general insurers have succeeded in planting their flag in as many as 50 countries, earning a net premia of about Rs. 7½ crores in respect of foreign risks, as against Rs. 7 crores in respect of risks situated in India. Nationalization of General Insurance will greatly prejudice the position of Indian Insurers abroad. In this context, Mr. Shroff also referred to the British Labour Party's proposal, in 1949, to nationalize Industrial Assurance, which the party was obliged to revise, possibly because of complexities involved in general insurance.

Life Assurance, although mainly domestic, bristled with problems equally complex and basic. The Life Assurance coverage sold to the public was essentially a personal one; and tailor-made, to fit individual requirements. The product Life Assurance sold was an intangible one—future security. Further, in India, Insurers have to combat against negative factors like, ignorance, lack of thrift and lack of insurance habit.

Governmental essays in nationalization, such as the Postal Life Assurance, had a comparatively poor record. For example, in the case of the U.K., the Postal Life Assurance had to be closed down in 1928 because of poor volume of business. Governmental efforts in numerous other countries, where State Insurance has been tried, have not succeeded, because State enterprises sell only security, and not both security and service.

A further argument against nationalization of insurance is that it was essentially a co-operative institution, where 92½ per cent of profits were passed on to policyholders. Thus, private insurance came very much close to a nationalized one.

The case against nationalization is strengthened by achievements of Indian Insurers, which were most encouraging. Their business turnover, since the war, compared favourably with that in the U.K., the U.S.A., Canada and other highly developed countries. On the other hand, the Indian Postal Life Assurance had increased its business only by 16 per cent during the decade ended 1952, as against an increase of 214 per cent in the Life Insurance business of Indian Insurers.

Most important of all is the fact that Indian Life Assurance Companies were rapidly expanding their business in foreign countries, their premium income from outside India having increased 3 times during the period 1946-53. No other Industry, in the country, possessed as effective technical know-how as the Indian Insurance. The foreign associate of Indian Companies have freely drawn on the technical know-how acquired by Indian Insurers, with the result that a tremendous amount of goodwill exists for Indian Companies abroad.

In view of such remarkable achievements, the Indian Insurance Companies are well poised for fulfilling bigger objectives, which await them. Our calculations show that a huge life business potential of the order of Rs. 8,000 crores exist in the country. Substantial as our progress is, it is nothing compared to that in more advanced countries. Our Life Assurance Premium is a meagre Rs. 1/5 as against Rs. 106 in the United Kingdom, and Rs. 327 in the United States. The Per Capita Life Assurance in India is Rs. 25 against Rs. 8,365 in the United States; Rs. 6,647 in Canada; Rs. 1,840 in the United Kingdom; and Rs. 2,544 in Australia. The total Life Assurance business in force in India is less than 10 per cent of the national income, as against 95 per cent in the United States; 108 per cent in Canada; 51 per cent in the United Kingdom; and 47 per cent in Australia. The target of Rs. 8,000 crores to be achieved in 10 years' time, would mean only a policy of Rs. 1,000 per family, or a premium of about Rs. 50 per year, per family.

In the light of these facts, Mr. Shroff requested Government to consider, whether they would be in a position to measure up to such potentialities, particularly in view of their commitments under the Five-Year Plan.

In spite of the above arguments, Mr. Shroff added, if Government are still of the opinion that State-owned enterprises are necessary for the fulfilment of the national objectives, than a better course for them would be to start new State-owned units. This suggestion was in no way a challenge to the State, but fitted in well with Government's declared policy of not disrupting the existing successful units through nationalization as in the case of the Steel Industry.

Reviewing the results of New India's operation during 1953, Mr. Shroff observed that the total premiums earned by the Company in the General and Life Departments reached a new high level which is a little short of Rs. 10 crores. Out of this, the premium in the General Department amounted to Rs. 4.37 crores—an increase of Rs. 47 lakhs over 1953, and the profit inclusive of interest earnings at Rs. 34.1 lakhs were 7.8 per cent of the premium income.

Progress in the Life Department has been phenomenal. Net sums assured during the year amounted to Rs. 43.42 crores showing an increase of Rs. 23.51 crores over the business for 1953. From 1st March, 1954, Life Premium rates were reduced by New India which stimulated a large demand for life assurance. The total premium income during the year amounted to Rs. 5.62 crores and the interest income net of tax Rs. 78.5 lakhs.

The Triennial Valuation Report ending 31st December, 1953, shows a handsome surplus of Rs. 1.57 crores from which Rs. 11.6 lakhs has been credited to Shareholders' Account. A bonus of Rs. 14 per thousand on Endowment Assurance and Rs. 16 on Whole Life Assurance was declared during the year. Policyholders can look forward to still higher bonuses if the present rate of progress continues.

The Life Department celebrated its Silver Jubilee during the year. Sir Benegal Ram Rau presided at the celebration which coincided with the opening of the new Administrative Office Building at Vile Parle.

The Board recommended a dividend of Rs. 2-8 per share after making adequate provision for taxation and other reserves. The total funds of the Company now stand at Rs. 30.58 crores. Mr. Shroff expressed the hope that the shoreholders will approve the conservative policy of the Directors in order to provide increasing security to the widening clientele.

Since the publication of the Report, he added, the Company has acquired a controlling interest in Bombay Fire and General Insurance Co., Ltd., which is expected to widen our activities and connections.

Company Meeting

THE NEW GREAT INSURANCE COMPANY OF INDIA LTD.

STEADY PROGRESS MAINTAINED

Baneful Effects Of Nationalisation:

Lucid Exposition By Mr. Tulsidas Kilachand

The Twelfth Ordinary General Meeting of the Shareholders of the New Great Insurance Co., of India Ltd., was held at the Registered Office at Baroda on Saturday the 2nd July, 1955, under the Chairmanship of Mr. Tulsidas Kilachand.

At the outset, Mr. Tulsidas referred to the retirement of Mr. Dharamsey Mulraj Khatau, one of the Founder-Directors and paid glowing tributes to his invaluable services to the Company from inception.

FIRST AND SECOND FIVE-YEAR PLANS

He then proceeded to make a brief survey of the country's remarkable progress under the first Five-Year Plan and referred to the various gigantic projects launched by the Government. He added that the projects started during the pre-Planning period substantially contributed to the success of the first Plan, and appealed to the community not to be complacent, as it was the results achieved under the second Plan which would give us a clearer picture of the country's progress. He, therefore, urged upon all concerned to put in much more strenuous and sustained efforts, so that the second Five-Year Plan could turn out to be even a better success. In this task of accelerating the pace of development during the second Plan period, he directed his appeal particularly to the business community who had a very important role to play in the sphere of industrialisation and expressed the hope that in spite of the very difficult conditions under which they would have to work, they would persevere in their efforts to fulfil their social responsibility.

Turning to the Taxation Enquiry Commission Report, Mr. Tulsidas welcomed the Commission's recommendations on the question of reserves, although they fell short of the Trade's expectations, and requested the Government to accept the same.

PLEA AGAINST NATIONALISATION

Turning to insurance problems, Mr. Tulsidas dwelt at considerable length on, perhaps, the most burning topic of the day in insurance circles, viz. Government's proposal to nationalise insurance. He made out a very able, strong and clear case against any such move which, if implemented, would cause incalculable harm to Indian insurance. If by nationalising the industry, the Government expected to get more funds, he explained that even as it was, very little surplus was left in General Insurance, after providing for claims expenses, reserves etc. Further General Insurance was essentially of an international character and, in view of the trade's dependence on foreign companies for reinsurance, he warned that the facility at present enjoyed might not be available to the same extent to a Government-sponsored industry, as there was a general tendency to be cautious in the exchange of business where one of the parties concerned was a Government which was subject to changing political influences. Speaking of Life Business, he mentioned that India's per capita income was still very low, and it required all the persusive powers and influence of an agent to prevail upon a prospect before he agreed to take out a policy. If this was the position in spite of the very severe competition among companies for writing bigger and bigger volume of business, he wondered how Government hoped to improve the situation any the better, particularly in the absence of the element of competition. It was admitted on all hands that service could be rendered more efficiently and satisfactorily by private agencies, since experience had shown that in the case of nationalised enterprises, the incentive and competition usually associated with private enterprise were always lacking. If the Government's object was to canalise into their Loans, the funds built up by Life Insurers, through nationalising the business, Mr. Tulsidas hastened to point out that even under the provisions of the existing Act, a substantial portion of the Life funds was being compulsorily invested in Government securities. Citing the case of the United Kingdom which can boast of some of the strongest insurance companies, built up by private enterprise over the years. Mr. Tulsidas drew pointed attention to the fact that even the Labour Party, when in power, wisely refrained from including insurance in their programme of nationlising key industries. Whilst, therefore, appealing to the Government to abandon all thoughts of nationalisation, he took the opportunity to request them to examine other possibilities as to how best to help the Indian insurance industry, so that what Government wished to achieve could be achieved in a simpler and sounder way. At the same time, he urged upon the insurers to extend their activities to the rural areas and spare no efforts to make the agriculturists and artisans insurance minded. Whilst on the subject of expansion, he also gave a timely and much-needed advice to the industry. It was not sufficient for them to render efficient service. What was more important was they should let the public know the nature and

quality of the service they rendered to the community at large.

Dealing with the revision in Fire premium rates, Mr. Tulsidas mentioned that if Government expected to eradicate the evil of rebating by such revision, he was afraid this was a wrong remedy. He was firmly of the opinion that trading conditions had, if anything, deteriorated since the introduction of the Code of Conduct Rules, and therefore, suggested a move on the part of Companies to represent to the Government to do away with the existing machinery relating to the Code, and to enact certain amendments to the Act similar to those obtaining in U.K. The industry also should do well to formulate its own voluntary code of conduct and thus avoid giving opportunity to Government to interfere in their day-to-day activities.

Dealing with the Departmental accounts, Mr. Tulsidas stated that the gross income for the year 1954 was Rs. 49,55,178 in Fire, Rs. 17,54,401 in Miscellaneous Insurance and Rs. 41,11,323 in Marine, whilst the net premiums were Rs. 21,17,689, Rs. 14,42,440 and Rs. 18,78,120 respectively. After providing for losses and expenses, and reserves at 50 per cent in respect of Fire and Miscellaneous Insurance Departments, a sum of Rs. 2,76,098 from Fire and a sum of Rs. 1,05,077 from Miscellaneous Insurance were transferred to the Profit and Loss Account. In the Marine Department, in view of the increase in the premium, the reserve was increased from Rs. 15,10,957 to Rs. 18,78,120, and this necessitated a transfer of Rs. 2,88,900 from the Profit and Loss Account.

The Company received 3,185 proposals for assurance amounting to Rs. 1,35,02,900 out of which 2,582 proposals resulted into policies amounting to Rs. 1,15,21,650. The net premium received from the new business amounted to Rs. 5,36,930 and the renewal premium Rs. 15,41,859. Total claims amounted to Rs. 1,41,201. The Life Fund at the end of the year was Rs. 73,20,694 against Rs. 58,91,777 in 1953.

The Chairman also mentioned that the Valuation Report as at 31st December, 1954, was almost complete, and was confident that there would be a substantial increase in the Bonus available for distribution to "with profit" Policyholders over those of the previous valuation.

In the Profit and Loss Account, after providing for the necessary outgo, the balance left over amounted to Rs. 2,32,483. The Directors have proposed to transfer to Taxation Reserve Rs. 1,00,000 and to pay the Sixth Dividend on Ordinary Shares at Rs. 1-4 per share, free of income tax.

The Chairman also took the opportunity of thanking the Company's Agents, Field-workers, and the Officers and Staff for the splendid work that they have done last year.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
August 1954 ..	362.4	420.9	351.9	375.7	608.9	382.5	90.7	100.6	89.4	117.4
September ,, c ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348 8*	377.0	605.4	376.1	90.4	100.5	88.3	116.0
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.(
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.(
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	97.9	112.)
Week Ending										
21-5-1955 ..	279.2	399.6	330.6	374.7*	547.0	343.9*	90.7	100 7	87.6	112.4
28-5-1955 ..	276.2	389.6	331.4	373.6	548.8	341.0	90.8	100.7	87.6	112.3
4-6-1955 ..	276.7	386.2*	330.9*	371.0	574.8	340.6	90.8	100.5	87.6	111.9
11-6-1955 ..	277.3	392.2	329.1	370.3	566.2	341.0	90.8	100.5	87.5	112.5
18-6-1955 ..	284.9	393.1	330.1	369.3	565.3	343.9	90.8	100.5	87.5	113.9

c Average of weeks. *Revised

†Economic Adviser's Series. ††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 June	350	367	240	135	332	396	375	141	342	149	143	138
July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
1955 January	335	358	210	132	324	372	370	126	333	141	136	134
Fabruary	329	345	207	128	310	384	361	126	326	137	135	—
March	324	340	205	127	310	377	360	129	321	133	133	—
April	324	340	200	126	311	352	353	130	314	129	129	—
May	—	336	204	122	—	335	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 2-7-1955			25-6-1955			18-6-1955			11-6-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	94-11	93-6	94- 1	94-15	93- 4	94- 1	94-15	92-10	93-12	94- 4	92-12	93- 5
Silver (per 100 fine tolas)	159-15	157-8	158-13	157-10	155- 9	157- 1	158- 5	151-12	156-13	164- 0	156- 0	160- 2

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
December 1954	1,198,02	22,22	1,220,14	40,02	657,15	697,17	57.13	105,32	417,75	1,220,24
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56.33	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104.14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51·65	104,33	543,65	1,340,03
Week Ending										
13-5-1955	1,331,09	8,52	1339,61	40,02	661,98	702,00	52.40	103,90	533,71	1,331,09
20-5-1955	1,322,41	17,46	1,339,87	40,02	661,98	702,00	52.39	104,16	533,71	1 339,87
27-5-1955	1,316,09	24,03	1,340,12	40,02	661,98	702,00	52.38	104,42	533,71	1,340,12
3-6-1955	1,324,95	14,30	1,139,25	40,02	652,04	692,06	51.68	103,55	543,65	1,339,25
10-6-1955	1,331,28	8,23	1,339,50	40,02	652,04	692.06	51.67	103,80	543,65	1,339,50
17-6-1955	1,321.23	19,05	1,340,28	40,02	652,04	692.06	51.64	104,58	543,64	1,340,28
24-6-1955	1,310,79	30,30	1,341,03	40,02	652,04	652,04	51.60	105,39	543,64	1,341,09

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
December 1954	63,53	12,33	69,12	34,44	179,42	21,44	210,86	22,50	7,28	72,79	1,73	16,91	80,33	9,31
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	198,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52.9	17.90	48,89	22,08	141,84	38.25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
Week Ending														
13-5-1955	51,93	19,24	47,97	22,34	141,48	36,85	188,32	8,67	11,70	52,07†	80	44,52	41,47	29,09
20-5-1955	55,23	14,99	50,87	22,11	143,20	40,68	193,88	17,60	10,89	5358†	80	40,47	41,28	29,26
27-5-1955	54,63	14,17	49,46	21,77	140,04	41,44	191,48	24,19	11,23	48,46†	80	35,78	41,79	29,24
3-6-1955	52,21	14,75	46,72	21,88	135,56	41,79	187,35	14,41	12,24	60,03†	80	29,40	40,74	29,73
10-6-1955	55,35	11.58	48,95	21,68	137,57	42,28	189,85	8.34	14.09	66,11†	1,36	29,63	40,52	29,81
17-6-1955	57,15	11,79	49,88	22,15	140,98	45,25	196,26	19,20	14,03	64,60†	1,05	28,61	39.04	29,73
24-6-1955	57,83	11,21	54,52	21,84	145,40	45,88	201,29	30,46	10,75	63,93†	80	26,80	37,90	30,65

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.76	523,59	22,81	61.77	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
Decembr 1954 ..	572,33	365,98	978,31	34,66	63,09	10.50	463,12	71,78†	54.68	349,22
January 1955 ..	576,31	368,39	945,19	32,83	60,31	9.85	476,93	78,24†	58.74	351,33
February ,, ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March ,, ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April ,, ..	587.73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
Week Ending										
13-5-1955 ..	581,37	385,89	967,26	34,53	45,97	8.35	507,51	118,74†	66.13	344,28
20-5-1955 ..	587,78	387,63	975,41	34,32	48,59	8.50	503,33	119,27†	65.48	344,29
27-5-1955 ..	592,68	388,17	980,85	35,31	47,54	8.45	500,12	119,69†	64.84	344,34
3-6-1955 ..	591,01	391,40	982,40	35,02	49,24	8.58	500,72	119,54†	64.85	344,49
10-6-1955 ..	592,19	393,06	985,25	34,61	46,64	8.45	501,09	116,78†	64.51	344,87

* Undivided India.
† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
April ,, ..	1,844,92	1,242,54	602,38	558,05	44,33	−1,43
May ,, ..	1,830,54	1,229,31	601,23	563,56	37,67	−14,38
June ,, ..	1,798,01	1,199,85	598,16	564,99	33,17	−32,53
July ,, ..	1,769,96	1,167,95	602,01	568,64	33,37	−28,05
August ,, ..	1,764,85	1,159,94	604,91	577,98	26,93	−5,11
September ,, ..	1,767,40	1,166,93	600,47	576,01	24,46	+2,55
October ,, ..	1,791,02	1,179,19	611,83	579,08	32,75	+23,62
November ,, ..	1,801,96	1,182,56	619,40	591,39	28,01	+10,94
December ,, ..	1,843,23	1,218,99	624,28	597,20	27,08	+41,32
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+29,19
February ,, ..	1,910,42	1,267,42	643,00	610,04	32,96	+37,95
March ,, ..	1,974,71*	1,305,54*	669,17*	599,20*	69,97	+64,29*
April ,, ..	1,998,80*	1,338,96*	659,84*	613,86*	45,98	+24,09*
May ,, ..	1,985,51*	1,334,74*	640,77*	616,65*	24,12	−13,29*

* Provisional.

INLAND TRANSPORT

Wagons Loaded*

Class I Railways†

Monthly averages or calendar months

(No. in thousands)

		Coal and coke (‡)	Grains and pulses	Oilseeds	Cotton	Other (miscellaneous, smalls, etc.)	Total
		1	2	3	4	5	6	7
1938	.. ..	95	60	23	14	410a	602a
1948	.. ..	94	42	9	8	308	461
1949	.. ..	103	43	10	8	349	513
1950	.. ..	106	42	9	7	358	522
1951	.. ..	113	52	8	8	389	570
1952	.. ..	116	51	10	9	398	584
1953	.. ..	86	49	9	8	418	570
1954	.. ..	93	48	10	8	428	587
1953	January	118	47	13	10	448	636
	February	105	50	10	9	422	596
	March	115	54	10	11	446	636
	April	83	58	11	10	429	591
	May	88	59	9	8	407	571
	June	82	50	6	7	376	521
	July	86	50	7	6	389	538
	August	88	51	7	7	387	540
	September	92	47	7	6	391	543
	October	98	45	6	6	402	557
	November	87	42	10	8	403	550
	December	85	42	11	9	471	618
1954	January	84	46	11	10	467	618
	February	75	49	9	10	435	578
	March	89	53	11	11	459	623
	April	87	53	13	9	417	579
	May	90	49	10	10	408	567
	June	88	46	7	8	404	553
	July	100	49	8	7	404	568
	August	105	52	7	6	396	566
	September	103	44	8	6	395	556
	October	103	44	9	7	410	573
	November	96	47	10	8	444	605
	December	100	44	13	8	491	656
1955	January	95	47	13	11	505	671

* In terms of 4 wheelers. Broad and Metre-gauges only. Annual figures relate to twelve months commencing April of year stated.
† Railways with gross earnings of not less than Rs. 50 lakhs a year.
‡ Excluding free hauled railway coal.
a Excludes wagons loaded with military traffic booked at coaching rates.

Source: Ministry of Railways.

MONTHLY STATISTICS

(Monthly Averages or Calendar Months)

		1951	1952	1953	1954		1955		
					November	December	January	February	March
I Foreign Trade									
i By Land, Sea & Air—									
Imports (Rs. lakhs)	..	71,20	67,28	48,39	62,36	49,86	52,73	59,16	55,37
Exports (Rs. lakhs)	..	65,30	51,54	44,30	65,47	61,10	54,73	50,39	47,27
ii Unit Value Index—									
(1948-49=100)									
Imports	..	128	130	115	112	115	115	116	..
Exports	..	160	131	111	125	127	124	121	..
iii Quantum Index—									
1948-49=100)									
Imports	..	108	105	84	111	87	94	104	..
Exports	..	114	106	108	145	131	122	115	..
II Industrial Production									
i Cotton Cloth (Million yards)	..	340	383	407	423	453	437	402	429
ii Cotton Yarn (Million lbs)	..	109	121	126	135	142	135	125	135
iii Jute Manufactures (000 tons)	..	73	79	72	89	94	84	82	89
iv Steel (Ingots & Castings) (000 tons)	..	125	132	126	146	153	157	138	..
v Paper and paper boards (tons)	..	10,993	11,459	11,642	15,035	16,357	15,802	13,109	..
vi Sulphuric Acid (000 cwts)	..	178	160	182	252	273	..	..	..
vii Index of Industrial production (1946=100)	..	117	129	135	160	166	151	158	..
III Fuel and Power									
i Coal Production (000 tons)	..	2,859	3,019	2,987	3,323	3,503	3,153	3,249	..
ii Coal Despatches (000 tons)	..	2,435	2,566	2,588	2,728	2,747	2,672	2,502	..
iii Electricity Generated (Million kwh)	..	488	516	559	654	683	668	626	..
iv Electricity Sold (Million kwh)	..	399	420	455	535	558	545	522	..
IV Industrial Disputes: Number of man days lost (000)	..	318	278	282	240	263	321	..	..
V Employment Exchanges:									
i Number on register at the end of the period (000's)	..	329	438	522	583	610	614	606	..
ii Number of vacancies outstanding at the end of the period (000's)	..	22	23	21	29	29	29	30	..
VI Inland Transport:									
i Railway Freight Ton Miles (Millions)	..	2,336	2,372	2,372	..	..	..	..	..
ii No. of Wagons loaded	..	569	584	570	605	656	671	632	..
VII Public Finance: (Central Govt.)									
i Revenue Receipts (Rs. Lakhs)	..	43,86	38,72	..	37,67	52,39	46,65	..	..
ii Import Duties (,,)	..	11,31	10,67	9,60	13,21	11,41	22,68	..	..
iii Export Duties (,,)	..	6,84	4,88	3,09	5,20	4,70	4,66	..	..
iv Central Excise (,,)	..	7,66	6,39	7,85	8,73	9,02	9,42	..	..
v Expenditure on (,,) Revenue Account	..	23,69	15,67	18,79	18,79	14,59	..	..	..
vi Cash Balances with Reserve Bank (Rs. Crores) *	..	210	175	110	79	55	54	52	..
vii Money Supply Rs. Crores **	..	18,22	17,23	1715	1802	1844	1871	1911	1975

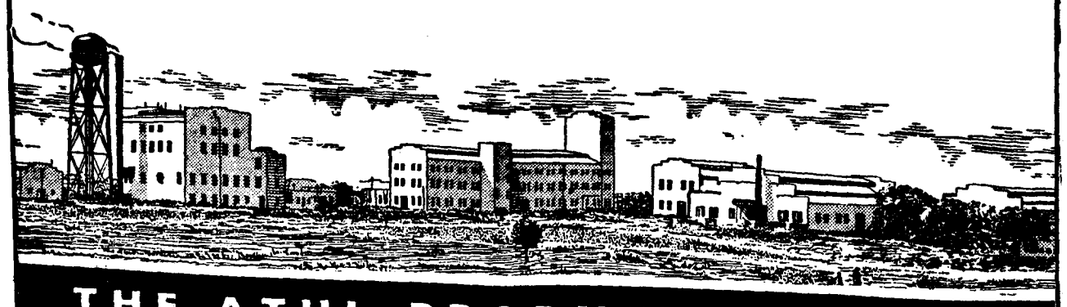
** December figures for 1951, 1952 and 1953. *Last Friday Figures.

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Breach in the Plan-Frame

THE Mahalanobian plan-frame has been well and truly breached this week. Now that it is coming under non-emotional examination in the various Ministries of the Government of India, almost all the initial approval to its particular targets has been withdrawn. It is now recognised by many that this strange document which arrived at totals without ever adding up projects would never stand the strain of detailed inspection. But even its worst critics did not believe that differences of the order of 60 to 70 per cent might reveal themselves. This week that has proved to be the case in respect of a central target of the Plan, which is the target for transport development. Calmly and unobtrusively, as is his manner, the Railway Minister, Mr. Lal Bahadur Shastri, proclaimed this week that a reasonable target for transport development would need to be in the region of Rs. 1,500 crores against about Rs. 900 crores in the draft Plan. This is only the leading challenge that the Plan-frame has had to meet; it is significant that it comes from the most accommodating of all Ministries; there is worse to come.

It would be unfair to place the blame for the mistaken targets of the Mahalanobian Plan in

railway transport entirely on the shoulders of the statistical professor. The Railway Board must itself accept some part of the responsibility for the error. As late as February 1955, the Railway Board seemed to be satisfied with a Plan of only Rs. 800 crores, and the Indian Statistical Institute might claim it was justified in assuming that, in making full provision for this demand, it was displaying due reverence for the technical excellence of the Railway Board. It was clear, however, that when the Railway Board was submitting its estimates in February 1955 it was not thinking in terms of the total dimensions of the new Plan-frame. If Prof. Mahalanobis had enquired of the Railway Board if its Rs. 800 crore target was consistent with his other ingredients of investment, he would certainly have received a very different reply. It would have been to the effect that investment on railway development would need to be increased by fifty per cent. Again Prof. Mahalanobis made a provision of only Rs. 100 crores for roads, shipping and other communications. For this fantastic allocation surely no blame attaches to the Transport Ministry.

An addition of Rs. 600 crores to the Transport Plan will mean an enhancement of the Plan by at least this quantity, as no Ministry is willing to surrender even imaginary resources, unless it be the Ministry of Commerce and Industry which realistically considers more factories of no avail without the necessary transport for raw materials and finished goods. How a provision of Rs. 1,500 crores is to be made for railway transport within the general Plan-frame is a question for Prof. Mahalanobis to answer from afar. No doubt a convenient (theoretical) answer can be found by stepping up the assumed rate of saving which can be imposed upon the Indian people. After all, statistical planning is made of just this kind of assumption. For less sophisticated persons, however, there will be seen in the new railway demands a mortal blow to the present Plan-frame.

The weakness of the frame is being demonstrated much sooner than expected. It is not, however, only the frame which is at fault. It is obvious, that if every Ministry proceeds to inflate its targets in this manner there will have to be instituted a drastic cut of all Plans in order to accommodate them to the resources available. Is a Procrustean bed now to be invented to force departmental Plans into the Mahalanobian framework, or is the framework to be inflated on the best principles of theoretical consistency?

An illustration of the extent to which thinking in the Government of India is fluid, and even fickle, is to be found in some comparable figures on ingredients of the railway development Plan in February this year and at the present time. It is reported unofficially that rolling stock and machinery which called in February 1955 for an expenditure of Rs. 320 crores now runs up to Rs. 470 crores. Allocation for electrification projects for which a meagre provision of Rs. 10 crores was made in February appears to run up to Rs. 130 crores in the July estimates, that is, thirteen times as much as before. Improvement of track moves from Rs. 80 crores to Rs. 125 crores; a single provision for the Ganga Bridge from Rs. 10 crores now moves up to Rs. 45 crores for various bridges. More extraordinary than all, it is rumoured that an entirely new item of Rs. 165 crores suddenly makes its appearance for workshop improvement and expansion.

To point out that some of these estimates must be unduly inflated does not argue the case against a large additional provision for transport. For example, there is no doubt whatever that the provision of Rs. 195 crores for improvement of line capacity is moderate and certainly a far more suitable figure than Rs. 77 crores included in the previous draft. It is to be remembered that the improvement of line capacity includes the doubling of track over 2,500 miles and a great improvement in marshalling yards at transhipment points. There is every reason why the allocation for this item should be as large as the allocation for entirely new lines and the restoration of old ones, for which fortunately a stable figure of about Rs. 200 crores seems to have been included in both drafts.

It is clear that in the political pressure battles which will now have to be fought between the Ministries for a share in the planning cake, economic considerations are not likely to receive the attention that they deserve. The issue is not one of pressures alone; it is greatly to be feared that the principles of wise economic balance have not yet been framed. It is easy enough for the Railway Ministry, for example, to lay down the order of priorities between the various items under its control. But who will determine the order of priorities between transport and education, or between education and health, and between agriculture and industry or more, generally, between transport and the whole Plan? No one today seems to know the size of the coming cake or of its ingredients: only the Finance Minister, with a loyalty to the Plan-frame which is remarkable in its steadfastness, quotes Prof. Mahalanobis' figures on total investment.

The Finance Minister's devotion to the Plan-frame (or is it to the person of Prof. Mahalanobis?) is a cruel handicap for the country at this time. For it is the Finance Minister who is primarily responsible for adjusting priorities in different sections of the Plan to keep them in appropriate financial balance. If the Finance Minister surrenders his judgment entirely to the Professor, much as a disciple to a guru—as is reported from every source—how can the rectification of these serious errors in the Plan be effected? Unofficial reports have been current this week that the Finance Minister has been taken aback rudely by the inadequacy of the transport provision in the Plan. That surprise should overtake the Finance Minister on so fundamental a point so late in the day indicates the extent to which Sir Chintaman Deshmukh has been taken out of touch with realities by his wholesale commitments to the Indian Statistical Institute. If the blind should lead the blind, will they not both fall into the ditch?

India and Kashmir

PANDIT GOVIND VALLABH PANT'S statement at Srinagar on July 5 has not unnaturally hit the headlines. Addressing the National Conference Workers at the Kashmir capital, India's Home Minister, who is also Minister for States, declared firmly that "India could neither allow prolonged uncertainty about the future of Kashmir nor could she stand in the way of Kashmir's trying to rid herself of this uncertainty". Elections for the Constituent Assembly had been conceived towards that end and "India could not fail indefinitely to respect the verdict of the Kashmir people already expressed through the National Conference". In effect the verdict of the people of Kashmir "which cannot be disregarded had already settled finally the question of accession to India". "It is only people living in the Pakistan-occupied area of Kashmir who have to decide their future".

This blunt statement that there is now no necessity for a plebiscite in that portion of Kashmir which has acceded to India has naturally aroused widespread comment both here and abroad. It is unthinkable that the Minister of States would have made a statement of this kind without a full sense of responsibility. This implies under present political conditions in India that the statement must have the support of the Prime Minister; indeed, it could not have been framed in so final a manner unless it had the overwhelming support of the whole Indian Cabinet.

It is vital, largely because this statement appears to resile from an international obligation, to understand and appreciate the circumstances under which it was made. It is difficult for any person who has not recently visited the Valley of Kashmir to understand how deeply needed, at least in one large section, such a statement is deemed to be. It is theoretically true that such a statement does no justice to India's international commitments. It is equally true that it is nontheless urgent from the point of view of the people of Kashmir. There is in the Valley at the present time tiredness of insecurity and an anxiety to dispel it which presents a new psychological factor in the Kashmir scene. It is the pressure of this factor which has been responsible for Pandit Pant's statement. It is a recognition of the force of that pressure which alone can provide an understanding of its significance.

The simple truth of the matter is that the Government of Jammu and Kashmir is faced with that relentless demand for economic progress which has been the dominant note in the life of the Indian people since Independence. Now that more settled conditions have been established in the State and the traffic of ideas has grown with the volume of Indo-Kashmir trade, particularly in tourism, it is natural that the people of Kashmir should be seeking equal progress with India. The Government of Kashmir has up to a point achieved something in the direction of economic stabilisation. But economic stabilisation is clearly not enough at a time when Indian economic progress is substantial and becoming every day more widely known. Public pressure in Kashmir has grown, producing an intangible, but nonetheless real, demand that Kashmir's progress should move on lines parallel to those of the Indian Union.

This demand for economic progress, which can be sensed deeply by recent visitors to the Valley, must have been described; however inadequately, to the Minister of States during his eight-day visit to Kashmir. Pandit Pant is also too sensitive an observer to have missed this fundamental point which those who run can read. Again, the first condition of this progress is that political stability should be assured, that is, that Kashmir should be an inseparable unit of the Indian Union. Pandit Pant's statement has been deliberately designed to convey this assurance to Kashmir from the Indian side. Bakshi Ghulam Mohammed has often enough pledged Kashmir's word to India.

It is this attempt, notwithstanding the international commitments that surround Kashmir, to face up to an immediate and inescapable problem which must explain and excuse what might look like an act of political bad faith. This declaration made before the Prime Minister's visit to Karachi represents no more than the fact that further uncertainty in Kashmir is incompatible with economic progress and India has made her choice.

Only one further comment on the statement is necessary. If the purpose behind the Minister of States' declaration was to secure full economic co-operation with India, it cannot be completely successfull unless further action is taken by the Government of Jammu and Kashmir to convey an assurance to Indian business men and those visiting Kashmir that they will enjoy a status similar to that which they enjoy in India. If it is logical and expedient for Kashmir to abolish political insecurity by a declaration in which her liberty is supposed to be restrained, it is logical and even more expedient for her Government to frame a declaration of economic policy in an area where theoretically it is completely free. In other words, the justification for a bold political statement will not be seen unless the Government of Jammu and Kashmir follows it immediately with a declaration formulating an ecnomic policy in which Indian investment and initiative will be as welcome in Kashmir as it is in India at the present time.

At present Indian citizens are not full citizens of Kashmir. Indeed even the writ of the Indian Government does not now run in Kashmir as it does in other States of the Indian Union. One glaring instance of limitation of the powers of the Central Government is to be found in the sphere of audit. At the present time, even Indian Central Government expenditure in Jammu and Kashmir is not under the control of the Auditor-General of India. This is a wholly anomalous situation which should be remedied without delay. Even if Kashmir declines to have her State expenditure placed under the Auditor-General's control she cannot under any circumstances object to the control of Central Government expenditure for which, in the last analysis the Indian Parliament is responsible. It is essential that the claim which has from time to time been made by India's Audit authorities that they should receive accounts of Central Government expenditure in Kashmir should be accepted in full.

It is no secret now that an industrial policy statement is shortly to emerge, but it is not known if it will make citizens of India equal to Kashmiris in the holding of property and all that is allied thereto. What would it profit either India or Kashmir to lose face with the world if they did not satisfy the demand for economic progress which is the cause and the sole justification for the States Minister's declaration?

Survey at the Summit

"WE are going there honestly to present our case in a conciliatory, in a friendly attitude and we don't intend to reject anything from mere prejudice or truculence or any lesser motive of that kind." This is how President Eisenhower has summed up the position of the United States at the summit talks that will open at Geneva on Monday. This attitude implies a substantial change of mood in the United States. Until about six months ago, American official opinion was very sceptical of the value of informal talks among Big Four leaders. There is now a feeling of subdued optimism in the West about the Geneva meeting, even though it is perfectly understood that the Conference will not reach any decisions on the outstanding issues but agree only on the right approach to them in working out solutions at lower levels. The major developments which have caused this change are not far to seek. The West had, rightly or wrongly, assumed that it would not be negotiating with strength so long as the ratification of the Paris agreements and the linking of Western Germany with NATO was not completed. The ending of the Indo-China war was another distinct gain which had preceded the ratification; and the Austrian Treaty which followed, created a climate of hope which has made the Geneva meeting possible.

That is not the same as saying that all the conditions for a successful conclusion now exist. This is an impression which is likely to spread on the basis of the widespread belief that the Russian leaders are today more anxious than ever for peace. For example, Mr. Jawaharlal Nehru's statement that he found Marshal Bulganin anxious for peace is apt to give an altogether distorted picture of the situation. It can lead to the inference that if there is a failure to agree at Geneva, the Soviet Union cannot be solely or mainly responsible—which would be far from true. Merely because the Soviet Union is now ready for a settlement, the record of the recent past and the consequences of that record to Western policies cannot be wiped out. It is clear that the Soviet Union is only seeking to negotiate for an agreement on the conditions of co-existence without war and Mr. Krushchev has made it abundantly clear that it does so from a position of strength. The assertion of this point about Soviet strength is significant for more than one reason. For one thing, it may or may not really indicate intrinsic strength in economic or logistic terms; but even if it does, it would only mean that the Soviet Union is now finding it expedient to attain by the methods of diplomacy what it has all along sought to achieve by war or covert threats of minor wars. It means, that Marshal Bulganin will drive a hard bargain at Geneva to preserve the existing stable of the world's power balance while seeking to avoid the possibilities of global war. This dislike of war is indeed only a negative aspect of the aspiration for peace; it may be an essential prelude to the establishment of peace but not indeed conclusive proof in itself of the ability to maintain all the conditions of peaceful co-existence.

The value of the Geneva talks cannot be assessed until the subsequent phase of detailed investigation of specific differences is well under way. There can be quite a great gap between the conviction that nuclear war is disastrous to both sides and should be avoided and the creation of the conditions under which genuine peace has a chance of becoming permanent in the world. Some of the immediate sources of conflict may be successfully resolved but there are still imperfect answers to the large question-marks hanging across the major issues like Korea, Indo-China, Formosa and Eastern Europe. The Soviet Union may, perhaps, consider the sacrifice of East Germany a good price to pay for the retention of her hold over the rest of Eastern Europe along with the neutralisation of Central Europe. But similar steps are at the moment improbable in Korea or Indo-China and China's attitude on these questions—which is a vital consideration and not necessarily dependent on Russia's—will not be known at Geneva.

To state that the Soviet leaders are anxious for peace is not the same as saying that their pursuits have been and still are peaceful. They have all along been in the forefront in building up military strength, though Russia's actual achievements might have been limited by the state of nuclear research and the economic strain of translating its gains into production of tactical weapons. The Soviet Budget shows an increased outlay—from 100 billion roubles in 1954 to 112 billions in 1955—on defence, which is one-fifth of the total expenditure. The leaders of the Soviet Union like all shrewd men everywhere dread an atomic war and would go a long way to avoid it. Some of the conditions for a moderate degree of disarmament are even possible in the present circumstances. It is possible to allay fears of small-scale aggression at strategic points by the establishment of international inspection teams. The size of military budgets may be cut down in that process to enable the strained, but not necessarily weak, economies of the Communist Powers to devote more towards providing welfare. These are laudable measures, if they could be carried out in practice. And if they are accompanied by steps for freer trade, some of the pressing problems of both the Communist and the non-Communist world could be solved. It is yet too much to hope that barriers to free movements and exchanges of men and ideas—which alone can in the final analysis dispel deepseated distrust—would also follow these measures.

An understanding or agreement to reduce some of these immediate dangers will not in itself be acts of dedication to peace. That depends largely on the attitude to the techniques of securing and exercising political power prevailing in any society; these can make an essential difference in the attitudes to war and peace. It may be true that as an individual Marshal Bulganin is devoted to peace, especially with his background of military experience which knows the horrors of war. But he is still the product—and possibly an unstable product-of a system which is still in the grip of violent and frequent changes. This is not a factor to be overlooked. The impressive Moscow air-display held a fortnight ago was not the achievement of a peaceful but a highly militarised authority. While conceding the genuineness of Moscow's desire for a settlement at this stage it is possible to hold that the conditions for co-existence will not be easily forthcoming. A settlement would be welcome respite after the long cold war and any respite can help to work out the conditions for the eventual establishment of peace by reducing the scope for suspicion.

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IX-G 394

THE WEEK'S NOTES

TROUBLE-MAKERS IN VIET-NAM

FROM SAIGON comes the news that two members of the National Revolutionary Council have accused most of the members of Premier Dinh Diem's Government as traitors and enemies. The timing of this move, on the eve of the deadline set for the talks on elections with North Viet-Nam, is significant. The denouncers have not attacked Premier Diem or others who support him. It is unlikely that it would be seriously heeded by the Premier but the purpose of the move is transparent. The members have opposed Bao Dai and they are clear that at the present time Russo-Chinese Communism is perfect colonialism. They are opposed to any negotiations now with the Viet-Nam Communists on elections and have stated that only an elected National Assembly can decide the question of Viet-Nam's unification. Their statement also mentions that Viet-Namese have ignored the Geneva Agreements and regard the international Supervisory Commission as "collaborators of the French expeditionary corps and the Communist Government and more or less foreign tourists".

The inspiration for this line is not far to seek but it reveals that at least a part of Diem's Government is for negotiations on elections in spite of the Premier's reluctance. His Foreign Minister has stated that the Government agrees to elections in principle. Even the Premier has expressed disbelief only in the possibility of getting the right conditions for free elections in negotiations with the Communists. But this can only be tested out in the course of discussions and cannot be assumed in advance. There is the possibility that even if the Southern leaders are given freedom to work in the north, they may not be able to make much headway, while in the troubled conditions of the south, the Communists may hope to win some support There is also the possibility of the Communists not respecting the final verdict if it goes against them, though they may now consider such a possibility as unlikely. In South Viet-Nam serious efforts are being made to secure the condition that the supervision of the elections should be by the United Nations or by a different international commission—which will necessarily constitute a reflection on the Indian role. If talks are broken off on this ground, it would still violate the Geneva settlement, which is just what its opponents would want. There should be a way by which such a move can be thwarted.

GOAN DEVELOPMENTS

MR. NEHRU'S visit to the Vatican has helped to clarify the misunderstanding spread by propaganda to the effect that the religious susceptibilities of Goans were involved in Portuguese refusal to consider Goan independence. The Portuguese Legation in Rome has denied Mr. Nehru's assertion that the Lisbon Government had tried to make the problem of Goa a religious matter. This denial is also a helpful confirmation of the same point, and should strengthen such of the Catholic groups that had felt that in sympathising with the independence movement they would be hurting their own religious interests. The Portuguese Government would have alienated the non-Christian majority if it had acquiesced in the interpretation that it was safeguarding the Catholic religion. At the same time, no one interested in the welfare of Catholics whether in the Vatican or outside could have urged that under Indian rule, this religion would not have all the privileges now available. The position of Indian Catholics would then become untenable. All this was known even before Mr. Nehru's visit to the Vatican. They do not alter the magnitude of the problem of Goa. Except for Mr. Nehru's firm optimism that the area would become Indian territory, there is nothing to indicate that we are nearer to a solution.

There have been more incidents and with each major incident the sense of frustration is bound to increase. All the opposition political parties have sought to blame the Government for the delay and lack of firmness and the Communist cry for "police action", only seeks to make capital out of the Government's apparent lack of a strong policy. The Congress President Mr. Dhebar has been active in advising impatient Congressmen to be restrained. The Congress Working Committee is expected to discuss this question at its meeting on July 23. It has no easy task in trying to reconcile the preference for the pursuit of peaceful methods with the obstinacy of the Portuguese Government in refusing to consider India's demand in a constructive way. The new reforms proposed by Portugal will hardly satisfy the needs of the present situation.

THE AKALI MORCHA

THE AKALI morcha in Amritsar has at last ended though it had not weakened even after two months. The Akali Dal insists that the agitation was against the ban on the utterance of Punjabi Suba slogans but in effect it was testing its own strength on the issue of a Punjabi State with a predominant Sikh influence. An agitation on the latter issue alone might not have built the following for the Akali Dal in the manner in which it has now done. The Punjab Government by banning even the utterance of slogans had made the Akali Dal's demand for civil liberties a reasonable one. Thus it has gained more support than it has been able to all these years and after 7000 arrests, more recruits appeared to be flowing in from adjoining PEPSU. Though the moderate Sikh leaders have been ready to condemn the agitation, which was a camouflage for a communal political demand, they appeared to be losing ground. The Akalis have been using the gurudwaras for fomenting the agitation but police firing was hardly tactful. The worst of all dangers lay in some of the counter movements which might have been let lose to make the issues on openly communal quarrel.

The Punjab Government cannot be credited with tact in handling the affair. It is no use saying that law and order has to be maintained. The law had to be manifestly reasonable when motives were bound to be suspected and if more Sikhs get the impression that even Constitutional measures to get their rights (as they conceive them) are impossible, the defeat for the Government would be great. It is now clear that the ban did not by itself eliminate incidents while it gave a righteous cause for the morcha. There is enough in Punjab politics to create discord and in PEPSU, Congress policy has created enemies in the past some of whom are now actively helping the movement with men and money. The existence of a States Reorganisation Commission cannot justify repression against linguistic demands even though they only cover up communal claims. There has been too much of a tendency in high places to deprecate regional claims as anti-national but they may not always be brushed aside by armchair verdicts or casuistry. They can, however, he subordinated by sensible political arrangements which do not ignore any group of men on the basis that they are unfit to be dealt with.

REFORM OF ELECTION PROCEDURE

THE PROPOSALS, reported in the press, for the simplification of election procedure at the next general elections are on the whole well-conceived. By effecting too many changes at one stroke, they may cause some lack of understanding but they are generally in the right direction of liberalisation of the severe rules prescribed in 1951. It is, however, doubtful whether the writs for the general election could, as now proposed, be issued by the Election Commission. This seems to be clearly outside the constitutional responsibility of the Commission. Whereas bye-elections form part of the "conduct" of the general elections, the Commission's power of "superintendence, direction and control" under Article 324 would not include authority to call for general elections; the elections must be ordered by an independent agency before the Commission can derive its powers of superintendence and direction.

It is necessary that general elections should be held simultaneously all over the country, irrespective of the varying tenures of the State Assemblies. The reduction in the duration of the election programme between the issue of the writs and the polling is also a desirable step. It is also desirable that the duration between the polling and the counting should be reduced because there will be less room for suspicions about tampering which arise when counting commences more than three or four weeks after the polling. The proposal to reject ballot papers involving double voting for the same candidate in a plural constituency is somewhat drastic.

The most important of all the measures needed is the reduction of the very heavy responsibility now placed on the returning officer because of the power of rejecting nominations. By defining the qualifications too rigorously the rejections become too many and since no other legal remedy is open to the aggrieved party except to seek to set aside the election, the procedure has been dilatory and wasteful. A reliable set of definitions of disqualifications with illustrations should be made available to candidates filing nominations; if a summary appellate reference can also be added it would be better still but the reduction of the duration of the election programme may not allow this. The next best is to expedite the disposal of election petitions and this is sought to be done by the provision that tribunals may consist of one member, though an appeal to the High Court may offset the advantage derived by this simplification.

MILLERS AND POUNDERS

CRAZY AS it may seem, the recommendation of the Rice Milling Committee for the replacement of rice mills in India by the hand pounding "industry" is, perhaps, consistent with the prevailing sentiments which seem to govern our economy today. It is doubtful whether the rural population everywhere would agree that it is a profitable occupation and, in any case, it involves the performance of heavy routine operations which sets limits to the duration of such work and to the mobility of such labour. In the areas in which rice yields and total turnover are high, there may not be enough workers who would be available to fulfil the additional demands for milling. Invariably, the surplus landless labour which suffers from seasonal unemployment would be found in the less fertile areas where rice is not the main crop. As a nostrum for rural unemployment, the case for hand-pounding is untenable; but its high cost must have ruled out the course if there had been any serious investigation.

The pounding cost per unit of rice must be at least five times as much as the milling charges. Such considerations of cost might not have weighed very strongly in a rural economy based on barter and on rights to performance of specific customary functions at customary charges; but when these are breaking fast, the substitution of hand pounding on a commercial basis would greatly add to the price paid by the consumer, even if labour is available in the right volume and in the right places. There will also be fluctuations in rice prices in the market according to the availability of seasonal labour, which alone will be attracted to this work, if at all. And, however, irrational the consumer may be in choosing polished rice with less of the vitamin in it, his palate and preferences are not so unimportant as to be dismissed with a supercilious sneer.

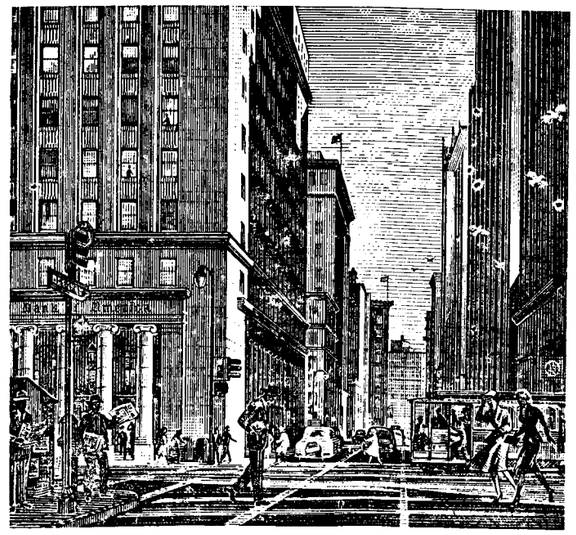
There is perhaps no reason to take the Committee so seriously as all that. Where rice is the major crop and the staple foodgrain, the consumer can assert himself against the politician's carrying any fad to extreme lengths. But it is sometimes surprising that such suggestions should be seriously made. The Committee's strong deprecation of small-scale hullers can logically apply even to sewing machines and the question that such committees often fail to ask themselves is 'What are we industrialising for?'

CHINA'S PLAN: PROMISE AND FULFILMENT

CHINA IS reported to have revised her Five-Year Plan in terms of a lower agricultural production, and emphasis on heavy industry. It appears that the original target for grain production in 1957 at the end of the Five-Year Plan involved a 30 per cent increase but this has been reduced to 17.6 per cent, involving an output 192,800,000 tons in 1957. The increase in industrial production is expected to be 98.3 per cent and Vice Premier Li Fu-Chun, who is head of the State Planning Commission, is reported to have estimated the total outlay in the Plan period in terms of gold as 700 million ounces ($24.5 billion or Rs. 12,250 crores) which seems prima facie a highly exaggerated figure. The actual target figures that have been set are reported to be as follows:

	1952 (Output)	1954 (Estimate)	1957 (Target)
Steel (Million tons)	1.35	2.17	4.12
Electricity (Million KWH)	7,260	10,800	15,920
Coal (Million tons)	63.5	81.99	113
Generators ('000 KW)	30	..	227
Electric Motors ('000 KW)	640	..	1050
Cement (Million tons)	2.86	4.73	3
Paper (1000 tons)	370	480	650
Sugar (1000 tons)	249	..	686
Cotton Yarn ('000 bales)	N.A.	4.600	N.A.

Whatever be the accuracy of these statistics, they are significant because they give absolute figures of the targets for the first time. The length of railways have increased from 21,700 Kilometres in 1949 to 25,500 Kilometres in 1954 while the volume of freight is reported to have increased by 60 per cent. The rate of advance visualised is ambitious though in per capita terms, China is still very much behind India in most respects.



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United States Government Securities and Securities Guaranteed by the Government	2,414,191,925.87
Federal Agency Securities	167,123,060.20
State, County, and Municipal Securities	565,439,454.38
Other Securities	114,137,926.86
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,230,573,393.30
Other Loans and Discounts	2,812,738,751.23
Accrued Interest and Accounts Receivable	38,266,946.53
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	74,421,807.25
Other Real Estate Owned	1,802,647.53
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	275,838,505.00
Other Resources	1,796,351.47
TOTAL RESOURCES	$ 9,163,355,289.49

LIABILITIES

Capital	$ 150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits	111,140,888.22	
Reserves	5,455,800.10	
TOTAL CAPITAL FUNDS		$ 466,596,688.32
Reserve for Possible Loan Losses		62,618,458.13
DEPOSITS — Demand	$ 4,192,260,317.72	
DEPOSITS — Savings and Time	4,078,274,433.42	8,270,534,751.14
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		178,554,052.21
Reserve for Interest Received in Advance		30,660,665.00
Reserve for Interest, Taxes, etc.		54,390,674.69
TOTAL LIABILITIES		$ 9,163,355,289.49

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RESOURCES

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United States Government Obligations, direct and fully guaranteed	29,285,414.50
Other Securities	47,976.62
Loans and Discounts	96,929,157.82
Accrued Interest	234,154.75
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	45,529,141.88
Other Resources	397,641.43
TOTAL RESOURCES	$188,406,334.06

LIABILITIES

Capital	$ 10,000,000.00
Surplus	3,000,000.00
Undivided Profits	943,555.55
TOTAL CAPITAL FUNDS	$ 13,943,555.55
Reserve for Possible Loan Losses	807,299.64
Deposits	126,358,914.27
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances	
Bills and Notes	46,322,451.63
Reserve for Interest Received in Advance	231,628.99
Reserve for Interest, Taxes, etc.	932,483.98
TOTAL LIABILITIES	$188,406,334.06

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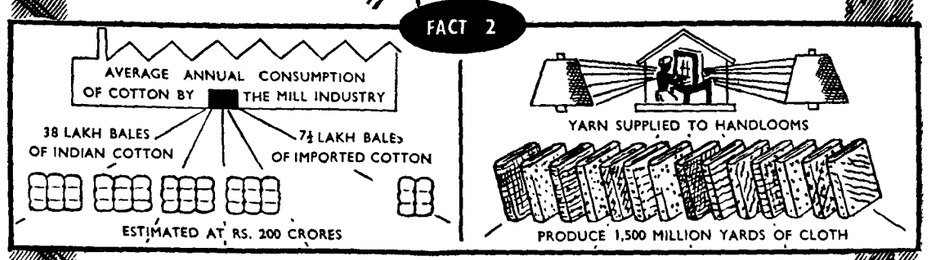
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PROSPERITY THROUGH THE COTTON MILL INDUSTRY

FACT 2



The mill industry is the mainstay of millions of cotton growers in the country. It buys the bulk of the cotton produced by them. On an average, it consumes annually about 38 lakh bales of Indian cotton besides some 7½ lakh bales of imported cotton. The value of all cottons, Indian and foreign, consumed by the industry in one year is estimated at Rs. 200 crores. It is also a large consumer of fuel, electricity and lubricants, valued at Rs. 11 crores.

A number of ancillary industries, producing dyes and chemicals, mill stores, sizing and packing materials, are also supported by it. The value of such goods consumed by the industry is estimated at Rs. 26 crores. The industry also gives employment to a vast army of men engaged in cotton, yarn and cloth trades and in the transport services. It supplies all the yarn required by the handlooms which produce annually 1,200 to 1,500 million yards of cloth.

In short, the number of the industry's beneficiaries is so large and its influence on the Indian economy is so all-pervasive that any precise assessment of its importance to the country is almost impossible.

This is the second of a series of FACTS

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A-54

A Window on the World

THE HISTORIANS AND US

BY

ODYSSEUS

IN AN ATTEMPT to form a concrete picture of the problems that Maulana Azad has set Dr. Sen by charging him to prepare a definitive account of the 1857 Mutiny, we have been engaged in looking up what the historians have said about an event which occurred nine years earlier—the French Revolution of 1848—and comparing their accounts with the evidence of contemporary witnesses.

The Revolution of 1848 was, we are told, sparked when the police banned a banquet sponsored by Opposition leaders that was to have taken place in Paris on February 21 to promote the cause of parliamentary reform. We established last week that similar publicity banquets had been staged throughout France during the previous twelve months, had lost their first appeal, and were the object of the ridicule of cartoonists. The Opposition leaders did not sponsor the Paris banquet; it was initiated by an obscure group of party workers who wanted to demonstrate their zeal. Fearful that disorders would follow the banquet, reluctant to disavow their party workers, the Opposition leaders reached a compromise with the police whereby the banqueteers would march to the hall, be told that the banquet was illegal, drink one toast to "Reform" and, izzat satisfied, disperse. Meanwhile, however, the Leftist press publicised the procession as a Grand Demonstration of the Popular Demand for Reform. Alarmed once more, the Opposition leaders, who had no wish to scare property owners or to give the Paris mob any excuse for another of those sanguinary exploits for which they were notorious, cancelled the procession. Yet, in the event, blood was shed and the revolution broke out. How?

Before calling further witnesses, we can attempt an evaluation of the facts so far disclosed. It seems clear that this was a revolution that nobody wanted. There were no demonstrations or disorders in any part of France outside Paris. (On the contrary, the first job of the revolutionary government's friends was to write pamphlets for circulation in the provinces explaining why this revolution was a good thing). The Opposition in parliament wanted an enlargement of the electorate; the Ministry refused this, but it is clear that the Opposition did not think reform worth a revolution. We can understand, too, the weakness of the government set up after the revolution. M.P.'s who were timid before the peace had been broken and who strove to avoid the occasion for it were not likely to be heroic upholders of a revolutionary government. Politicians anxious not to offend property owners were not likely to build a new revolutionary world. This situation gave Louis Napoleon Bonaparte (nephew of the great emperor) his chance for a Bonapartist come-back. The revolutionary regime was timid, without popular support, and distrusted the mob.

Now, back to the streets. The decision to cancel the procession failed to quieten the effervescence of the Paris mob who to this day enjoy any opportunity for clashing with constituted authority—which does not, however, mean that they necessarily speak for France, any more than a bazaar mob necessarily speaks for India. There were various processions shouting slogans on February 22. Rumours were rife. The attitude of the National Guard (Auxiliary police troops) was uncertain. They were ready to uphold the dismissal of the premier, Guizot, and a change of policy, but they had no wish for a revival of the bloodshed of 1789, 1793, and 1830, which were living memories. The Ministry shilly-shallied. Guizot resigned on February 23. The middle classes were pleased; holiday crowds thronged the streets—and it is in this paradoxical atmosphere that we now reach the fusillade and the revolution.

THE PROCESSION SETS OUT

As a precaution troops had been posted around the Foreign Affairs Ministry (of which Guizot had been Minister) where they were disposed across the street. Towards these troops between 9 and 10 p.m. there marched an excited mob in procession from the working class quarter of the Faubourg St. Antoine. Why? A number of witnesses testified later that the march had been suggested by a National Guard officer on duty in the Faubourg where a crowd had assembled. It does not seem to have had leaders with a premeditated plan but to have consisted largely of goondas ready to take advantage of the unrest of the times. Diverse voices called for the disarming of the National Guard and an attack with the weapons taken from them on the Town Hall, the traditional objective of Paris revolutionaries. The Guard officers were patient. They sought to avoid a clash and one of them, Lieutenant Schumacher, suggested that if the crowd were marched round the boulevards this would work off their excitement harmlessly. The crowd marched to various centres, gathering numbers. They went to the offices of the Leftist newspaper, "Le National". Witnesses say that the staff harangued the mob, urging them to keep their arms lest they be duped by the government. Thus we learn that some in the crowd were armed; they were excited by speeches, and warned of unknown dangers.

The procession now turned to go home. There was a choice of routes back. The evidence as to why the route past the Foreign Affairs Ministry was chosen is contradictory. Bystanders who were eyewitnesses testified that only a few in the mob were armed and these few were mostly in the front ranks, i.e., in the ranks visible to the troops. The front halted; the rear could not see what was happening and pushed on. The colonel in command would not allow the procession to pass. Lieutenant Schumacher told him that the crowd was peacefully minded. The colonel said he had his orders. The mob brandished the torches that they were carrying in the faces of the troops. A man seized the bridle of the colonel's horse. Under pressure of the crowd and the restiveness of his horse, the colonel retired behind his troops and then gave the protective order "Cross bayonets!" Pressed by the mob, the troops retired a few paces in order to obey. Their rifles were loaded. Suddenly a shot rang out. A fusillade followed that lasted two minutes.

"The first shot echoed throughout Europe; but we cannot tell who fired it," says Professor Woodward. The soldiers unanimously testified that the shot came from the mob. A pamphlet published soon after the

revolution alleged that this shot was deliberately fired by a member of a revolutionary secret society, named Lagrange, who wanted to make trouble for the sake of "the cause", as Communists take advantage of similar opportunities today. Lagrange scraped through on an alibi of sorts: another admitted revolutionary swore that Lagrange was with him miles away at the time of the firing. On the other hand, Maxime Du Camp, the well-known author, "revealed" twenty-seven years afterwards, in 1875, that the shot was fired by a sergeant to protect the colonel. This is possible. The sergeant never uttered a word of it to the Enquiry but, if the shot was his, he would not have dared to admit it at the time.

THE LIMITS OF HISTORICAL CERTAINTY

Professor Woodward sums up: "If we do not know who fired the first shot, can we be sure whether there was or was not an order for the fusillade? One of the men nearest the colonel heard nothing. Others maintained that an order was given. Schumacher and another of the leaders of the procession deposed to the same effect. Can we trust the accounts of soldiers affected by the terrible and momentous effects of their act? Can we trust Schumacher and his friends whose good intentions had led to such calamity? We have passed out of the limits of historical certainty."

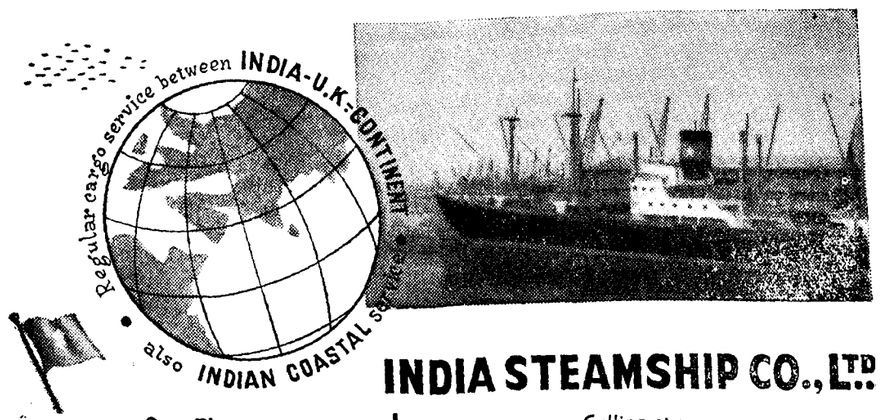
Such are the practical difficulties that Dr. S. N. Sen cannot fail to encounter in his work on the records of 1857. Wealth of material does not of itself guarantee a higher measure of 'certainty'. There are indeed degrees of historical certainty; but certainty of any kind depends as much upon the subject matters as on the lapse of time or the mass of material. It is possible, for example, to fix the date and hour of a battle which took place 5,000 years ago during a total eclipse of the sun. The character of our knowledge of topography differs from the character of our knowledge of human motives. The campaign of Austerlitz, for example, throws light upon Napoleon as a military genius. But it does not 'explain' his motives.

The nearer we come to the ultimate questions—to the evaluation, say, of the personalities, motives, responsibilities, and influences on the events of 1857 of Dalhousie, "Clemency" Canning, Hodson, Bahadur Shah, Metcalfe, the Lawrences, Nana Rao, Ali Naqi Khan of Oudh, Azimullah Khan, Rangu Bapu, and all the other figures, great, terrible, or tragic, that stride across the mighty panorama—the less can the historian depend on technique or bulk of information, the more is he dependent on his own experience of life to appraise personalities, divine motives, disentangle responsibilities, and trace out influences. No little man with a narrow experience of affairs, unfamiliar with the dilemmas that confront those called upon to quell a riot, govern a province, or frame a foreign policy, who has never moved among those with grievous responsibilities and great powers for good or ill, is likely to penetrate the mists of myth that must for every envelope the more important actors of history. Why? Because when it comes to interpretation, the historian, like the artist or the novelist, is putting himself, his own experience of a lifetime of research, reflection, and imagination, on to paper, and a little man can have but little to put.

The more we ,who are politicians, diplomats, civil servants, businessmen, or economists, realise how constantly we appeal to history in the formulation of our policies, whether as foreign ministers searching the past in the national interest, or as exporters, importers, or manufacturers in the interests of ourselves our firms, or our industries the movement we realise how utterly we are at the mercy of the industry and integrity, and above all, the intuition, of the professional historians, for they investigate these matters of which we can have only second hand knowledge. The more therefore must we salute the occasional genius, the Thucydides, the Acton, or the Churchill, who by illuminating the past on which we are building our present, enables us in some degree to control the future.

Is there a moral? asks someone, bringing me back to earth. Why, yes. Never think you know any history until you've read at least six different historians on the same subject.

[This is the final article of a series of four entitled "How History is Written."—Ed.].



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A DELHI DIARY

A GREAT HOME-COMING

NEVER in the history of human adulation have so many worshipped at the shrine of so few. This ponderous thought, in imitation of Winston Churchill's classic description of the RAF defence of Britain in 1940, came into my mind as I was watching the tremendous concourse of people to receive the Prime Minister at Palam on Wednesday. Never in the experience of anyone in Delhi has there been a reception such as this. The crowds that collected at least an hour before the plane arrived were obviously paying a great spontaneous tribute to the place the Prime Minister occupies in the hearts of the Indian people. It is true that many Congress leaders used their influence to obtain a good attendance. It is true also that special bus fares made that attendance easy. But any one who considers that either of these "facilities" was responsible for the amazing enthusiasm at Palam on Wednesday will miss the central point of the popular mood. It was a great display of spontaneous gladness of a kind which needed no prompting; happiness was deeply infectious and grew with each wave of popular emotion which, every now and then, burst official bounds. Members of the diplomatic corps and senior officials who are accustomed to privilege on these occasions were lightly brushed aside. That, if ever, was the hour of the common man. The Prime Minister who was obviously deeply touched felt he could not refrain from giving his ruder friends in this great assembly a mild rebuke. He said: "I am glad to be back in Delhi and thank you for this great reception. But you have spoilt a part of my happiness by this uproar and confusion. I have a lot to say to you. I shall do so at the appropriate moment. Now, I thank you for your love and affection".

And thus there ended the most memorable homecoming that all of us have seen or, it seems, shall ever see!

Reporting of the Prime Minister's tour has (I dare to say) been very uneven. When one happens to read three or four morning papers—as, for my sins, I have to do—one gets the impression that the special representatives of these papers saw this tour through unchanging eyes. I expect when one is a member of a party dashing about a country with a great deal of hospitality overflowing, one tends to become a part of the surrounding atmosphere. There was almost no criticism or even moderate notes of caution in assessing the USSR's political and economic achievements. It may be these articles are still to come. But one wonders whether a few analytic pieces could not have been made an excellent background for a report of the Prime Minister's tour. A mere record of receptions and visits tends to be monotonous in itself, and to convey a feeling of sameness from one country to another. Receptions (alas!) are the same in almost every country. The core of the differecence between country and country has thus nowhere been brought out. One hopes that the thirteen good men and true who accompanied the Prime Minister as part of his press retinue will use their present opportunities now to provide that historical assessment without which these events can have no larger interpretation.

LAST BUT NOT LEAST!

In a tour of this kind the significance of particular contacts may be totally masked by the rush and volume of social occasions. For example, it has been noted by two or three shrewd observers in Delhi that the Prime Minister's visit to the United Kingdom was the most unobtrusive of all. He was rushed away by Sir Anthony Eden to Chequers; there were no milling crowds as there were in the USSR or in the East European Capitals. But who will say that the conversations between our Prime Minister and Sir Anthony Eden were the least important of all the important conversations that have taken place on this tour? The fact that so little time was lost in the trappings of friendship seems to me to indicate that there was much more solid work done.

ERRORS OF OMISSION

Just as it seems to me the emphasis on the diplomatic value of visits to particular countries has tended to be thrown out of proportion by description of popular enthusiasm, so the reporting of speeches (on the numerous occasions when words needed to be exchanged) leaves me not a little unsatisfied. Hardly a single speech has been reported in full and the total impression one gets from reading all at one sitting is to get the impression that the record has been distorted by a personal equation. Take the speech of the Prime Minister before the Yugoslav Parliament. I have not been able, in spite of much unusually hard journalistic work, to obtain the full text of the Prime Minister's address to the Yugoslav Parliament. But one paper (of the four which I read) carries on Sunday, July the 3rd the important observation: "Mr. Nehru spoke sarcastically of Communist-sponsored world peace movements and that was extraordinary that world peace should become a political slogan".

I should have thought an observation of this kind was of tremendous political significance as it was made shortly after the Prime Minister's departure from the USSR; it should have received wide publicity in the Free World. How, I ask myself, does it come about that in three out of the four papers I receive this emphasis was totally ommitted? How comes it that this speech has been censored in so many of India's leading newspapers?

Similarly, another paper on the same day, July the 3rd, carries the observation "Great significance also attaches to Mr. Nehru's re-affirmation in emphatic terms of his faith in democratic methods. Declaring that India was building up a socialistic pattern of society by doing away with vested interests, privilege and inequality and bring freedom, access to knowledge and opportunity to all he reiterated: "I believe in freedom of the individual and the democratic system of working". This, like the previous observation, was obviously one which should have found a place in every report intended for the Free World. How comes it again that three out of my four papers had a quite different emphasis?

It has been sometimes said of the Indian Press that its reporting was splendid, but that its editorial pages were not always of equal standard. Can it be that our Editors are coming up whilst our Reporters are going down? Perhaps, this is the appropriate response in a socialistic pattern of society!

ARGUS.

Economic Report from the U. S.

U.S. ASSISTANCE FOR ECONOMIC PROGRESS

(By Guy Sims Fitch)

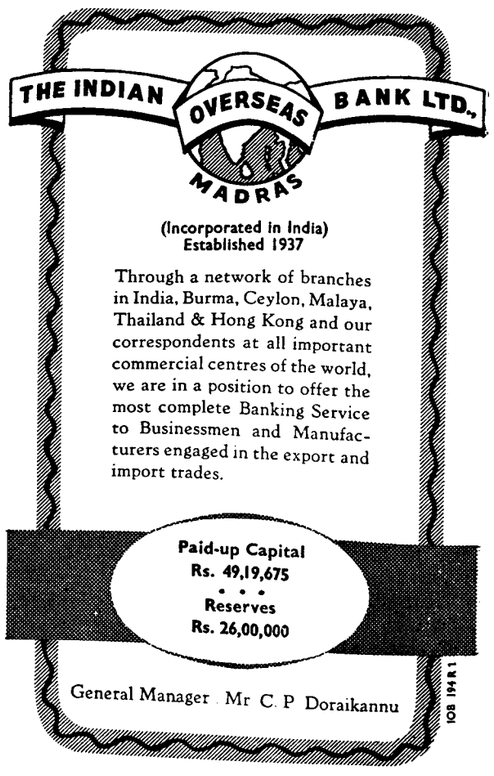
WASHINGTON, July 12.—The foreign aid programme of the U.S. is now under new management. On July 1, it was taken over by the new International Co-operation Administration (ICA). Since ICA functions as part of the department of State, this reorganisation not only assures continuation of the aid programme; but it also indicates that the programme has become an integral part of U.S. foreign economic policy. The programme ICA inherits has made available more than $50,000 million in grants and loans to other countries since world war two—grants and loans that have helped foster economic reconstruction and development in all parts of the world. Congress has just authorised another $3,300 million for the year ahead.

But too often overlooked alongside this large-scale Governmental programme have been the very real contributions American private business had made to world economic progress. A recent survey by the "New York Times" reveals that U.S. private investors, including more than 2,000 business firms, have put nearly $24,000 million into the industrial and agricultural development of other lands. Whether it is an oil refinery in Indonesia, a pharmaceutical plant in India, a shoe factory in Israel, a hotel in Egypt, a food-processing plant in South Africa, an electric power plant in Brazil, an automobile factory in England or a tractor plant in Turkey, these private U.S. enterprises have one thing in common. They have brought with them not only capital but ideas and skills that have benefitted the economies and the peoples of those lands in which have found a productive place. The Government of Burma, which recently launched a new programme to encourage the inflow of private foreign investment, has pointed out that this type of enterprise can contribute to a country's economic and social progress by increasing productivity and living standards and introducing needed managerial and technical skills. In the long run, this can mean more and better products at less cost for more people.

Not all this private technical co-operation requires large capital investments. In many cases, the chief stimulus to progress has come from licensing arrangements between U.S. and foreign firms. More than 300 such arrangements, for instance, have been concluded between U.S. and Japanese businesses since 1945. These technical tie-ins have brought such wonder drugs to Japan as aureomycin, streptomycin, terramycin and cortisone, all locally produced, to combat such scourges as trachoma, dysentery and typhus. Production of U.S., developed pesticides has made possible a significant increase in the average Japanese rice crop, one-fifth of which used to be lost to the rice-stem borer. Other technical agreements have helped to improve Japanese steel-making methods and have helped Japan make better plastics. One new Japanese company, operating under an American license, is expected to begin production shortly of materials for low-cost concrete buildings which may supply the answer to housing needs not only in Japan but in other parts of the Far East as well.

Nor does all this know-how flow in one direction. The U.S. has benefitted from investments and techniques from other countries. Just as, for instance, new American steel and gasoline making processes have been introduced into Germany and other European countries, American firms are using locomotive designs from Germany and aluminum-processing methods from France. One thing that private international ventures require, of course, is a favourable climate in which to operate. Economic development is relative; American business men find their own country a most fruitful investment outlet, as witness the more than $28,000 million they are pouring into new domestic plants and equipment this year. Other nations desiring American capital and know-how must compete with development opportunities in the United States itself.

A recent report by the United Nations is highly encouraging in this respect. It notes that nations seeking to accelerate their economic development have been easing their regulations on the entry of foreign capital and the operation of foreign enterprises. And recognising that a reasonable opportunity for profit must accompany worthwhile private ventures, many also have been reducing their restrictions on the transfer of income and the repatriation of foreign investment capital.



WORLDGRAM

AGRICULTURE

U.S. Agricultural Plan for India: A team of six or more experts in Agriculture from Ohio State University and the Agricultural Experiment Station at Wooster will visit India next autumn to direct a two-year agricultural education and research programme aimed at helping the people. A preliminary survey has been conducted of the four states in North-Western India to be served by the project. Objectives of this Plan will be to enable the agricultural leaders of India to pattern newly established agricultural colleges and experiment stations after the land grant colleges of America. The Ohio State team will operate in Punjab. Also, there will be several trainees from India coming to Ohio State for special training.

*

Crop Production and Development: U.S. Government will contribute $10,000 for a joint project for crop production and development under a Supplementary Agreement signed recently. The purpose of this project is to assist farmers in India to substantially increase the production of maize, through introduction and production of maize hybrids for seeds, and through improved agricultural methods. The total acreage under maize cultivation in India is about 88 lakhs, while the total production of maize in India is 28 lakh tons. Extensive experiments in other countries like United States, Mexico and Italy have shown that the use of hybrids seeds, combined with increased fertilization, maize yield has increased by 25 to 100 per cent. India will contribute Rs. 40,000 towards this joint project.

*

Grow More Cotton Campaign in Pakistan: The Grow More Cotton campaign, started in Sind recently has gathered momentum. Efforts are being made, to increase production during the current year, at least by 25 per cent of the total cotton crop viz. approximately 1,20,000 bales of 392 lbs. each in the four cotton growing districts of the province. A target has been fixed to consume about 25,000 tons of ammonium sulphate for manuring the cotton crop in the current year. Out of the total of 25,000 tons of ammonium sulphate, about 5,000 tons have already been made available and stocked in various depots.

TRADE

*

Japanese Plant Export in 1955: An ambitious plan to boost the nation's plant export has been drafted by the Japan's Ministry of International Trade and Industry, according to which its annual total amount is to be raised up to $229 million in the current fiscal year, the highest figure after the end of the War. According to the ministerial plan, plant export to the dollar area during the 1955 fiscal year will be halved, whereas that to the sterling area will be doubled, both in comparison with the previous fiscal year. Plant export to the open-account area, the Soviet Union and Communist China is also expected to increase.

*

World Trade Expands $2,000 Million in Two Years: World exports of manufactures in 1954, were 8 per cent more than in 1953. But if Western Germany and Japan are excluded the increase was only 5 per cent. German exports of manufactures were about one-fifth more than in 1953, while those of Japan, during the second-half of the year, rose by over one-third. The increase over the same period in the U.K. was only 3 per cent. U.S. exports expanded steadily during the year as did those of most west European countries, although later in the year Italy and Holland lost some of the impetus of the early months. Total world exports of manufacturers have risen from $13,200 million in the second half of 1952 to $15,200 million in the second-half of 1954. Nearly one third of this increase is attributed to Western Germany alone.

*

New Czechoslovak Trade Pact With Belgium: Trade and political negotiations were recently held in Prague which were concluded by the initiating of a new trade and payments agreement. The new agreement which includes trade with the Belgian Congo, represents an increase in mutual exchanges of commodities of more than 15 per cent. Under the agreement Belgium will deliver to Czechoslovakia textile raw materials, meat, fodder, raw rubber, non-ferrous metals, and other industrial and consumer goods. Czechoslovakia will supply Belgium with motor cars hops, malt and brewer barley, sawn timber, cellulose, machinery and equipment, footwear, textiles, glass and imitation jewellery, China and other consumer goods.

*

Big Rise in U.K. Cine Equipment Exports: In the first quarter of this year, exports of cinematograph equipment from the United Kingdom totalled £551,000—£89,000 more than in the corresponding period of 1954. Sales showed marked increases in no fewer than 25 markets, including, India, Australia, New Zealand, Pakistan, Spain, Portugal, Ecuador, and Chile. Purchases by the last two countries were particularly high—much higher, in fact, than for the whole of 1954.

INDUSTRY

German Steel Output: German steel output in June was the second highest on record, amounting to 1,793,000 tons, against 1,696,000 tons in May. Daily output averaged 66,400 tons. March output was the highest so far, with 1,875,000 tons. Output during the first-half of 1955 totalled 10,273,000 tons, compared with 7,870,000 tons in the first half of last year. Steel output in Western Germany is now running at a higher rate than in the whole of Germany in 1938.

*

Draft Standard for Pure Caustic Soda: The Indian Standards Institution has issued, a tentative draft Indian standard specification for pure caustic soda. The draft standard covers requirements and methods of test for caustic soda, pure, both in the solid and solution form, suitable for the rayon industry. The requirements prescribed are in respect of sodium hydroxide content, carbonates, sulphates, chlorides, silicates, iron, copper and manganese. Instructions for packing and sampling of the material have also been included. The draft standard has been prepared by the Heavy Chemicals (Inorganic) Sectional Committee of the Indian Standards Institution.

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Rise in Industrial Production in U.K.: Industrial production in May maintained the general level of 5 to 6 per cent advance this year over 1954 evident in earlier months. In May, electricity generation was up 11 per cent. Passenger cars up 16 per cent, and commercial vehicles were also about this amount higher. Steel output was at record levels and 7 per cent above 1954. Coal and textiles output was, however, down.

*

Industrial Fair in Pakistan: The Pakistan Industrial Fair will start its second session in September next. The exhibition will last for about six weeks. The fair will display Pakistani products to popularise the country's manufacturing industries. Agriculture will have a separate section, which will be mainly instructional. For the convenience of agriculturists, foreign machinery used in agriculture and in pro-

cessing of agricultural products, will also find a place in the exhibition.

*

Capacity of Hindustan Cables Factory to be Doubled: The capacity of the State-owned Hindustan Cables Factory at Rupnarainpur in West Bengal is to be doubled to enable the Factory to meet all the requirements of the Posts and Telegraphs Department in respect of armoured cables. The Cables Factory which went into production in September last year is the only factory producing telephone cables in India. It is designed to produce on a single shift basis 470 miles of subscriber telephone cables, made up of 90 miles of unarmoured and 380 miles of armoured cables. As the capacity of the armouring shop of the factory is limited, it has now been decided to double the armouring capacity by installing additional equipment. The expansion scheme is estimated to cost about Rs. 7.5 lakhs. The work is expected to be completed by the end of September, 1956.

*

Protection to Soda Ash Industry: The Government of India have accepted the Tariff Commission's recommendation that the protection granted to the industry should be continued for a further period of three years, i.e, up to December 31, 1958. Government have also accepted the Commission's view that the quantum of tariff protection to the industry should remain stable and have in this connection brought into force with immediate effect, protective duties at the specific rates of Rs. 5-10-0 per cwt. (standard) and Rs. 4-3 per cwt. (preferential) on soda ash.

*

Coal Development under Second Plan: A three-day conference was held recently with representatives of associations of producers and consumers of coal to discuss questions relating to the formulation of a development programme for the coal industry during the second Five-Year Plan. After a general discussion, a committee consisting of representatives of Government and the industry was set up to examine and report on various questions relating to increase in production of coal. The industrial and railway expansion envisaged during the second Five-Year Plan will greatly increase the demand for coal and it was agreed that a target of 60 million tons by 1960-61 should be aimed at.

FINANCE

Pakistan's Balance of Payments: Figures relating to the Pakistan balance of payments show a surplus of Rs. 2.7 crores for the quarter ending December 1954, against a deficit of Rs. 10.8 crores in the previous quarter. The improvement is mainly due to the marked increase in the export earnings from jute. Total receipts for the quarter amounted to Rs. 35 crores over the July-September quarter. The total payments amounte to Rs. 32.3 crores showing a decline of Rs. 1.22 crores over the previous quarter. Of the increase of Rs. 12.28 crores in the total earnings, jute alone contributed Rs. 9.84 crores. Of the total receipts of Rs. 35 crores, jute accounted for Rs. 18.33 crores or more than 50 per cent. The receipts on account of cotton fell from Rs. 6.81 crores in July-September quarter to Rs. 5.11 crores in the quarter under review. A notable feature in the exchange earnings is the growing volume of receipts on account of miscellaneous exports (exports other than cotton, jute, jute manufactures, wool, hides and skins and tea) which now occupies a position next to jute and cotton. The receipts under this head were Rs. 4.25 crores against Rs. 1.9 crores in the preceding quarter.

*

Aid for Grow-More-Food Programme: A sum of Rs. 35 lakhs is being made available to Rajasthan by the Government of India for construction of wells. This amount, forming a part of the financial aid from the Central Government for the Grow-More-Food schemes during the year 1955-56 comprises a loan of Rs. 33 lakhs and a grant of Rs. 2 lakhs. The total amount of loans granted to the State under the Grow-More-Food scheme for this period is over Rs. 87 lakhs including provisions of more than Rs. 27 lakhs for distribution of seeds, Rs. 5 lakhs for mechanised cultivation and over one lakh rupees for manures and fertilizers.

*

Italy's National Income: The gross national income, based on the ordinary market prices, rose in 1954, to 11,797,000 million lire—a net increment over the 1953 figure equal to 704,000 million lire or 63 per cent. The considerable increase in income continued an upward trend dating back to 1950-51, when the national income rose by 6 per cent. The same trend persisted though on a lower level, in 1952 (when a 3 per cent rise was recorded over the 1951 figure), and again, and at a higher rate, in 1953, when the national income rose by 7 per cent as compared to 1952.

World Bank Loans: The World Bank set a new year's high for lending by making loans totalling $409.6 million in the fiscal year ended June 30, 1955. This compares with the previous high of $324 million lent in the 1954 fiscal year. Altogether the Bank has now made 124 loans totalling some $2,235 million in 37 countries. The increased rate of Bank lending was particularly marked in the last three months, when 7 loans amounting to $155.2 million were concluded for a variety of development programmes and projects in Europe, Asia and Latin America. Largest single loan was a loan of $70 million to the Cassa per ic Mezzogivrno, the Italian Government agency. In Northern Europe, the Bank lent $25 million to Norway. The Bank lent an equivalent of $10 million to help finance the Luners hydro-electric project in Western Austria. The other main loans were $13.8 million to the Karachi Electric Supply Corporation Ltd., in Pakistan and $15.9 million loan to the Colombian National Railroads. Peru got $18 million for an irrigation project and $2.5 million for building a portland cement plant in northern Peru).

MISCELLANEOUS

Fumigation and Quarantine Station at Cochin: Government of India have decided to establish shortly a Plant Quarantine and Fumigation station at Cochin to enable American cotton to be imported through that port. To begin with, fumigation arrangements for about 4,500 bales of American cotton per month will be introduced there. At present, as a measure of safeguard against entry of dangerous cotton pests, imports of American and West Indies cotton are allowed only through the ports of Bombay and Madras where fumigation facilities exist. Imports of cotton from other countries are also subject to similar landing restrictions if it is stored in one and the same hold of the ship with American cotton while in transit.

*

Community Development Programme: By an Agreement signed between the U.S. Government and the Government of India, the U.S. Government will contribute an additional amount of $680,000 towards assistance in connection with the additional 250 Community Development Blocks, which will be initiated by the end of the first Five-Year Plan. U.S. will provide equipments, supplies and assistance to all Community Development Blocks undertaken during the period of the first Five-Year Plan ending March 31, 1956. This is in addition to the assistance already provided by the U.S. Government for the projects started earlier. The total U.S. contribution towards India's Community Development Programme, including the amount now agreed to, amounts to $14.25 millions or Rs. 6.65 crores, as against the Government of India's total expenditure for these projects amounting to Rs. 90 crores.

NEWS IN BRIEF

INDIAN

The additional food production due to irrigation from the Hirakund Dam Project is estimated to be 45 lakh maunds of foodgrains.

*

Government expenditure on the Community Development programme during the first three months of 1955 was Rs. 6.67 crores, while the figure for the period October, 1952 to September, 1954 was only Rs. 13.83 crores.

*

It is reported that India's exports of tea during 1954-55 were valued at Rs. 146.53 crores. During the same period she exported tobacco valued at Rs. 11 crores.

*

Till the end of March 1955, the total value of people's contribution towards the Community Development Programme in terms of labour, land and cash amounted to Rs. 10.21 crores, as against a total Government expenditure of Rs. 20.50 crores.

*

During the first three and half years of the Five-Year Plan, 330 miles of new roads were constructed, 2,434 miles of existing roads improved and 25 major bridges completed.

*

During April-September 1954, the Indian Telephone Industries factory produced 26,040 telephones and 14,000 exchange lines.

*

Indian fishermen will be for the first time landing netfuls of tuna, the succulent fish prized in the U.S., Europe and Japan for canning, when measures to exploit the country's sea food resources get under way during the second Five-Year Plan.

*

The Bombay Electric Supply and Transport Undertaking has just placed a £200,000 order for 75 Titan double-deck bus chassis with Leyland Motors Limited. All these vehicles will be equipped with the "No Clutch" pneumo-cyclic gearbox.

*

A direct radio-telegraph service has been opened between India and Yugoslavia bringing the total number of countries with which the overseas communications service operates direct radio-telegraph service to twelve. India has already direct radio-telegraph link with the United Kingdom, Australia, China, the U.S.A., Afghanistan, Japan, Indonesia, the U.S.S.R., Thailand, Indo-China and Poland.

*

The Uttar Pradesh Government has evolved a scheme to rehabilitate thousands of Bhotias living on the strategic Indo-Tibetan border. Under the scheme seven training-cum-production wool centres and 28 spinning centres are being established in the border areas in the districts of Almora, Pauri Garhwal and Tehri Garhwal.

*

In response to the Union Government's invitation, the Food and Agriculture Organisation of the United Nations has decided to hold the technical meeting of poultry production in Asia and Far East probably in October this year in India.

*

It is reported, a proposal to erect a synthetic oil plant near Korba in Bilaspur district of Madhya Pradesh is under the active consideration of the Government of India.

FOREIGN

It is reported, the chemical industry of the U.S. will carry out an aggregate plant expansion programme of about $1,000 million in 1955. The planned investment this year falls slightly below the 1954 figure of about $1,130 million.

*

Italy has abolished the 3 per cent salex-tax on sales of gold and on gold and silver coins. Imports of gold and silver coins and their sale in Italy have also been exempted from the tax. Import of gold remains in the hands of the Italian Exchange Control.

*

The State Housing Bank of Norway has financed the building of altogether 123,000 homes in Norway since the war, and has made loans and grants totalling £162.6 million.

*

It is reported, the Committee for Industrial Power and Production of the French National Assembly has recommended to the Assembly the ratification by France of the International Tin Agreement.

*

The General Motors Corporation of America has announced a new expansion programme calling for capital expenditure aggregating $500 million. The programme which will enable the company "to make its full contribution to a strong and expanding national economy", will be substantially completed by the end of next year.

*

Pakistan will shortly negotiate with the World Bank for a loan of Rs. 3.6 crores (£3.9 million) for reconstruction of the east wharf of the Karachi port. Reconstruction of the Wharf is estimated to cost Rs. 7.8 crores. Preliminary work has already commenced by foreign firms on contract.

*

A group of veterinary and medical administrators met in Geneva last month to consider the relationship between health in animals and health in human beings. Among other things, the group concentrated on a list of 80 diseases transmitted from animals to man and drawn up in 1951 by a joint expert committee of the two U.N. specialized agencies.

*

A pennicilin factory is proposed to be established in Pakistan shortly with the financial assistance from certain International organisations of the U.N.O.

*

The U.N.'s Educational, Scientific and Cultur Organisation (UNESCO) reports there are three time as many television stations in the world as there wer two years ago. Plans are underway to introduce tel vision in 20 additional countries.

*

A census Bureau estimate places the population c America now at approximately 165,250,000. Ther were about three million persons in America when th Declaration of Independence was signed on July

*

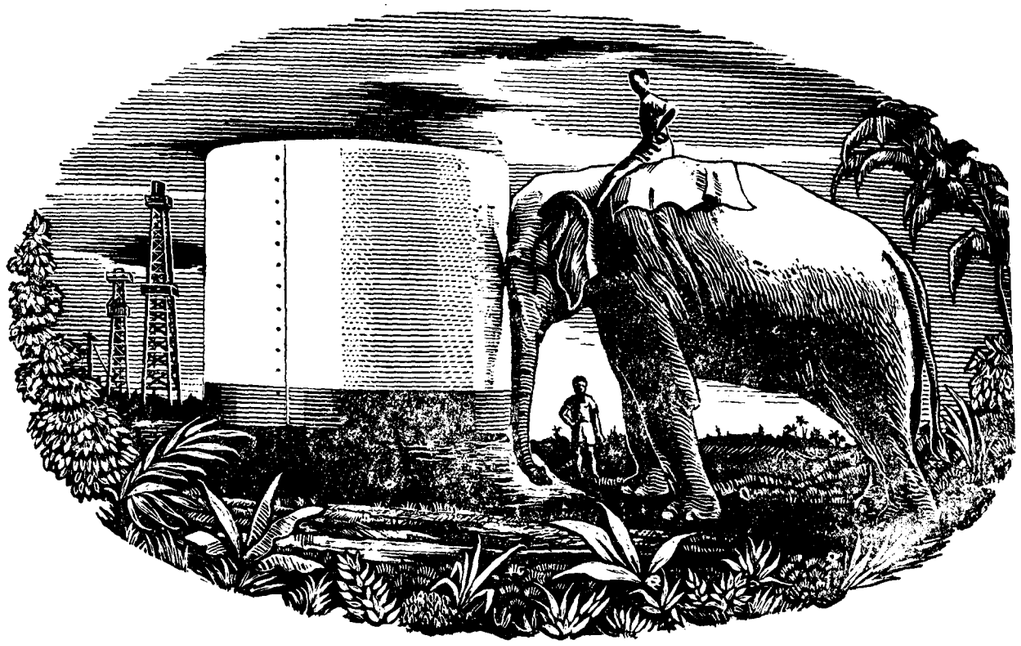
In the Raciborz Metal Products Factory, in Opol Voivodship, work has now been completed on assem bling a 35 ton lathe ordered by the Indian Board o Railways for wheel work on waggons and trams.

*

The British Transport Commission had a net defici of £11.9 million during the year 1954, as against a ne surplus of £42 million in 1953.

*

The total exports of raw jute from Pakistan during the year ended, June, 1955, are estimated at 5 million bales—100,000 bales less than in the previous year—worth about Rs. 55 crores.



It's a BIG job....

running an oilfield

Many special kinds of skill are required to keep India supplied with oil, from the study of fossils to the operation of complicated plant in refineries—and not excluding the care of elephants.

Consider the complexity of the Assam Oil Company's operations at Digboi, in north-east India. Here, at India's first and hitherto only oilfield, nearly a thousand wells have been drilled into the earth's rocks—a total of over 300 miles of hole. More than 600 of these wells still yield oil regularly, modern production techniques ensuring that the maximum amount of crude is recovered from the field. Science and engineering skills guide every phase of the company's work, nowhere less than in Digboi refinery which in a single day supplies the Indian market with over 250,000 gallons of high-quality petroleum products. In all branches of this full-scale industry the Assam Oil Company employs nearly 9,000 persons, while many hundreds more are engaged in serving the consumer.

Yes, the day-to-day running of the oil industry is a big job. To keep it running the Assam Oil Company has to spend crores of rupees just in "looking ahead." For no oilfield lasts for ever, and in order that India's vital flow of oil may be supplied to an increasing extent from India's own resources, the company is constantly exploring for new sources of petroleum.

ASSAM OIL COMPANY

does it all

BOC

A member of the Burmah Group of Oil Companies

PROSPECTING · DRILLING · PRODUCING · REFININ

Special Articles

BRIDGING THE GAP IN THE AIR

THE finances of the Indian Airlines Corporation continue to be a source of increasing concern. About two years ago, when the domestic airlines were nationalised and integrated into one consolidated organization, hopes were entertained quite reasonably that the deterioration in the financial structure of the country's internal airlines would not only be arrested, but some tangible improvement would be shown and the size of the net deficit would be reduced. Results of periodical financial operations, on the other hand, disclose that the disequilibrium has proved virtually intractable. The Corporation's working in the first full financial year, April 1954 to March 1955 reveals an aggregate loss of Rs. 115 lakhs. For the preceding eight-month period, since the airlines were nationalised in August, 1953, the loss was of the order of Rs. 80 lakhs which works at an annual rate of Rs. 120 lakhs. This apparent fractional improvement was really no improvement at all, if the unplanned and disorganised pattern of management immediately after nationalisation is given due weight.

Last week the Corporation announced an increase in rates and fares for the carriage of traffic. The revised tariffs have been adopted pursuant to the recommendations of a special committee of enquiry. No apology, however, was needed to justify what is called the rationalisation of rates and fares. The rate structure of the domestic airlines was distorted by the high-handed manner in which the night air-mail service was introduced in October, 1949, and pressure was exerted on the day-time services, under the strain of competition, to reduce their rates and fares. The new scheme raises the charges for passenger as well as freight traffic on the night services to the level of day-time services, abolishes the concessional fares for the evening Delhi-Bombay service and puts up the charges on a few day-time services. This change introduces the principle of uniform charges for all types of services. The attraction for the night air mail service will not be so appealing as before and part of its traffic will be diverted to the day-time services. But since a nationalised monopoly undertaking owns the industry, the effect of the changes in fares and rates is not likely to be regressive. The estimated increase in the annual traffic receipts is put at a modest figure of Rs. 18 lakhs. It does not alter the fact that fares for the domestic airlines in India are uneconomical and among the low in the world. The significant fact about the effect of this increase on the finances of the Corporation, however, is that it will prove no more than a palliative. The causes of the disorder in the financial structure of the Corporation go deeper and they need imaginative remedies for long-term cure.

The Deputy Communications Minister tended before the Lok Sabha in November last, a written statement of the financial operations of the Corporation for the first twelve months after nationalisation—August 1953 to July 1954—which revealed aggregate loss of Rs. 127.46 lakhs. In explanation of this staggering figure in relation to the combined estimated loss of Rs. 12.07 lakhs of the private airlines in 1952 (subsequently calculated at Rs. 40 lakhs), he emphasized the following important factors of differential costs which add up to Rs. 100 lakhs:

Loss of petrol rebate	Rs.	35.00 lakhs
Interest on bonds or borrowings ..	„	14.40 „
Loss of Revenue earned by Air India Ltd. as Managing Agents of Air India International	„	10.50 „
Additional provision for insurance and depreciation due to total lack or inadequate provision	„	13.00 „
Normal annual investment due to revised salary time scales ..	„	8.00 „
Increased facilities for pilot and technical training	„	10.00 „
Overdue renovation or overhaul of aircrafts or engines	„	6.00 „
Arrears of increment to staff of Air India	„	3.04 „
TOTAL	Rs.	99.94 lakhs

The last two factors are non-recurring in respect of which the Corporation may expect set-off against the amount of compensation it will pay to the nationalised companies. The figure of loss of managing agency commission makes no allowance for saving of expenditure on administrative, managerial and technical services no longer required to be performed. If the non-recurring factors and the economy in costs of services rendered to Air India International are excluded, the burden of extra recurring costs is of the order of approximately Rs. 85 lakhs. This is not a fixed but variable quantum.

The crux of the Corporation's financial problem is: How is this yawning gap of Rs. 85 lakhs to be covered? The solution is partly within the control of the Corporation and partly assistance must be provided to it by means of financial relief.

In one respect, however, an avoidable heavy burden has been foisted on the Corporation by the Government under pressure of political expediency. It is the firm commitment against retrenchment of staff after nationalisation. It is a patent fact that the Corporation is constrained to retain inflated staff. There can be no sense in integration if the single integrated Corporation is to be operated by the same strength of staff as was required under separate managements of nine air transport companies. The rationalised pay-scales have imposed on the Corporation a normal annual increment of Rs. 10 lakhs after compromise with the staff on the effect to be given to the Puranik Committee's report. This single item alone is enough to absorb in a couple of years the entire increased revenue of Rs. 18 lakhs which is anticipated from the enhancement of rates and fares. There can be no escape from this liability until productive employment is found for the surplus staff in increased traffic. Even so, full elimination of surplus labour force is difficult to achieve. It is a bane of nationalised industries in all democratic countries which have risked this experiment.

The Corporation has inherited from its predecessors a dynamic asset. All doubts about the ability of airlines traffic to survive the post-war boom have been completely set at rest and the expanding vitality of civil aviation has established its integral place in the future scheme of overall transport. Both by virtue of the expeditious and emergency character of its service as well as the growth of new standards of life, air transport has carved a secure place for itself. The following table, showing the expansion of civil aviation

operations between 1951, the year of peak performance before nationalisation, and 1954, the first complete year after nationalisation, is instructive.

Monthly Averages of Airlines Operations in India

(Figures in Thousands)

	1951	1954
Passenger Miles	22,055	23,907
Freights Ton-Miles	1,061	1,049
Mails: Ton Miles	231	325
Newspapers: Ton Miles ..	79	112
Total Load in Ton Miles ..	3,330	3,574

Excepting for a marginal decline in freight ton-miles operated, there is a definite increase in every activity and a substantial expansion of the total load. It should be the Corporation's special task to nurse the expansionist trend in the behaviour of air traffic by suitable incentives as also by tapping new routes. The proposed experiment with feeder lines run by 14-seater economical Herons is an illustration of the search for developing activity for larger revenue. Economies in fleet utilisation, saving of costs in maintenance, repair or overhaul, rationalisation of workshop facilities, imaginative publicity to stimulate traffic and similar improvements offer ample scope for reforming the financial structure of the Corporation. The fundamental charge against the Corporation's management is that it has failed to give assurance that it is in earnest about capturing these avowed benefits of integrated operations. The Dakota which predominates, and the Viking which takes the next place in, the Corporation's fleet are uneconomic and need to be replaced over a phased programme. A small beginning is scheduled to be made with modernisation by discarding Dakotas on the night airmail services. Their obsolescence, and not the safety factor, is the justifying cause for replacement.

One hard reality must be faced squarely. The extent to which the aviation spirit bill, and in particular the tax element, operates as a drag on the finances of internal airlines is not properly appreciated. External airlines enjoy immunity from the petrol tax in the territories of foreign governments which is a great contribution to their financial health. The Indian Airlines Corporation's bill for the petrol tax is reckoned as approaching one crore of rupees per annum. Precisely here the relief by way of rebate has been withdrawn. It deserves to be restored on an enlarged scale to about Rs. 50 lakhs. Until this relief comes forth, the deadweight of financial disequilibrium will threaten to persist.

PROGRESS OF COMPANY FLOATATIONS

AT a time such as the present when there is so much controversy about the new Companies Bill and the official control of capital issues is being continued it is heartening to know that there has, in fact, been no setback to the growth of Indian Joint Stock Companies. Latest available figures, as revealed in the monthly publication (for March 1955) of the Company Law and Investment Administration of the Central Ministry of Finance, show that during 1954-55 there was nearly a four-fold increase in the authorised capital of joint stock companies—to be more specific, from Rs. 56.4 crores in 1953-54 to Rs. 226 crores in 1954-55—and that not less than 42 companies had an authorised capital of Rs. one crore and above. Of the 1,203 companies floated during 1954-55 (as against 1,193 during the previous year) 219 were public companies, the remaining 984 being private. The total authorised capitals were Rs. 174.9 crores and Rs. 51.1 crores, respectively.

The breakdown of new company registrations into public and private reveals that, while the total number of private floatations during the two years has been nearly equal, the authorised capital of these companies in 1954-55 has been nearly 50 per cent more than in the preceding year. The average authorised capital of the new private and public companies in 1954-55 works out at Rs. 519,000 and Rs. 7,951,000, respectively, as against Rs. 331,000 and Rs. 1,125,000 in 1953-54—a significant rise in respect of public floatations.

It is of additional interest to see that the list of 42 giant floatations is topped by a first class private enterprise having an authorised capital of Rs. 50 crores, namely, the Durgapur Iron and Steel Works. Next in size comes the Rs. 25-crore Industrial Credit and Investment Corporation of India which is backed by the Central Government. The other important companies include two State enterprises, Bharat Electronics and National Industrial Development Corporation of India. The total authorised capital of the 42 big floatations was about Rs. 178 crores, representing nearly 80 per cent of the total authorised capital of all the 1,203 new companies floated.

An obviously disquieting feature of joint stock concerns pertains to continued liquidations of private companies in which there was a considerable increase during 1954-55. A total of 522 private companies was liquidated during this period, as against 428 during the corresponding period last year. As many as 924 joint stock companies, limited by shares, with a total paid-up capital of Rs. 7.8 crores, were either liquidated or finally dissolved, as against 910 companies with a total paid-up capital of Rs. 7.4 crores during 1953-54.

An industry-wise study of the companies reveals that practically the same types of industries figure both in respect of new registrations as well as liquidations. Thus, during 1954-55, by far the largest number of companies (774) were registered under "Trading and Manufacturing" group, followed by "Hotels, theatres and Entertainments" (76), "Banking, Loan and Insurance" (67), "Transit and Transport" (67), and "Mills and Presses" (65). Likewise, of the 924 companies liquidated during 1954-55, 558 related to "Trading and Manufacturing" group; followed by "Transit and Transport" (94), "Hotels, Theatres and Entertainments" (76) "Banking, Loan and Insurance" (70), and "Mills and Presses" (68).

Table I gives details of the main industrial groups which figured in liquidations during the last fiscal year.

TABLE I

Industrial Groups	Capital in lakhs of rupees	
	No.	Paid-up Capital
Banking, Loan and Insurance	70	65
Transit and Transport	94	213
Trading and Manufacturing	558	277
Mills and Presses	68	137
Tea and other Plantations	12	18
Mining and Quarrying	17	23
Estate, Land and Building	16	19
Breweries and Distilleries	4	2
Sugar Manufacture	1	1
Hotels, Theatres, and Entertainments	76	26
Companies other than those specified above	8	1
TOTAL	924	782

From the following Table II, containing the dates of registration of companies liquidated during the last two fiscal years, it will be noticed that during 1954-55

of the total liquidations, as many as 122 companies had been floated before 31st March, 1940, that is, mostly during the period of the general economic "depression". But what is even more significant is the number of casualties of the war-time "mushroom" growths. In other words, 207 companies, which were floated during the war period (1940-45), were liquidated during 1954-55, as against 123 of the same types in 1953-54.

A study of the net position of the paid-up capital under various industrial groups in the first eleven months of 1954-55, discloses that, with the exception of banks and life insurance companies, all other industrial groups have, during the period under review, improved their position in respect of paid-up capital, either by fresh issues of further calls on the partly paid-up shares or by issue of bonus shares. Among the industrial groups registering increase in paid-up capital, the important ones are iron ore, public services, cotton mills, navigation, agencies (including managing agents), iron and steel, jute and engineering groups. During the period, an increase of Rs. 37.16 lakhs has taken place in the paid-up capital of all companies, of which Rs. 20.93 lakhs, that is, 56 per cent has been raised in the State of Bombay alone. Other significant additions to the net increases in the total paid-up capital are noticed in the States of West Bengal, Madras, Mysore and Delhi with Rs. 9,75 lakhs; Rs. 1,71 lakhs, Rs. 1,61 lakhs and Rs. 1,22 lakhs, respectively.

It is estimated that there are 29,827 companies at work with a total paid-up capital of Rs. 9,79 crores as on March 31, 1955.

TABLE II

Registration Date			Companies liquidated in 1954-55	Companies liquidated in 1953-54
Before 1st April 1900			4	3
1st April, 1900 to 31st March		1910	0	5
„ 1910	„	1920	3	2
„ 1920	„	1930	17	11
„ 1930	„	1935	27	23
„ 1935	„	1940	71	55
„ 1940	„	1945	207	123
„ 1945	„	1946	66	72
„ 1946	„	1947	127	142
„ 1947	„	1948	73	116
„ 1948	„	1949	86	87
„ 1949	„	1950	71	86
„ 1950	„	1951	68	93
„ 1951	„	1952	64	74
„ 1952	„	1953	30	15
„ 1953	„	1954	9	3
„ 1954	„	1955	1	0
TOTAL			924	910

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REPORT ON CURRENCY AND FINANCE FOR 1954-55

THE Reserve Bank's Report on Currency and Finance for 1954-55, which consists of a brief survey of International economic developments and a detailed review of the Indian Economy states that world economy in 1954 continued to be relatively stable. Production was well maintained, prices were generally stable and the International payments position recorded a further improvement. "Monetary and credit policies" continued to be flexible in several countries during 1954 as in the past few years and tended to be liberal for the greater part of the year. Towards the end, however, and particularly in the first quarter of 1955, they were tightened in some countries with the emergence of inflationary symptoms. Trends in the "capital markets" in the leading countries generally reflected the internal economic stability and the prospect of continuing economic growth in those countries, rather than international developments and speculative activities. Gilt-edged ruled, on the whole, firm; equities were buoyant and the new issue market was more active than in 1953. "Budgetary policies" in the advanced countries were generally directed towards increasing the tempo of economic activity, while, in the underdeveloped countries, they continued to reflect the need to raise larger revenues to finance development programmes in the public sector and at the same time to stimulate savings and investment. In the sphere of "trade and balance of payments", economic developments in the U.S.A., along with the continuation of its defence and economic aid, led to an increase in the reserves, of other countries, particularly of Western Europe and the sterling area. This strengthening of the foreign exchange position together with an improvement in the volume and balance of world trade enabled a number of countries, especially in Western Europe, to relax generally their restrictions on trade and payments, including some against dollar imports, and made the climate more favourable for further efforts in the direction of currency convertibility.

INDIAN ECONOMY IN 1954-55

Against the background of these international developments, the Report proceeds to review the major economic and financial developments in India during the year ended March 1955. Economic developments, the Report observes, were marked by a considerable expansion in industrial output, a substantial increase in money supply and a decline in prices along with enlarged budgetary deficits, a small surplus on the external account and a better flow of savings. The growth in the budgetary deficits of the Central Government and the States indicated the quickened pace of developmental expenditure, which partly made up for the relatively slow progress in the preceding three years. Nevertheless there was no evidence of an emergence of inflationary pressures and the economy made considerable progress during the year with a measure of overall stability. But the disquieting features were the sharp fall in agricultural prices and the continued seriousness of unemployment. To meet the problem of unemployment, labour intensive schemes were added in 1953-54 to the original Five-Year Plan and during the year under review special steps were taken to stimulate the expansion of small scale and cottage industries. The emphasis in the second Five-Year Plan now in the process of formulation is on the creation of as many extra jobs as possible to relieve both unemployment and underemployment.

"Industrial Production" in 1954, the Report states, was 8 per cent higher than in 1953, which was itself 5 per cent higher than in 1952. Since the inauguration of the Plan, industrial output has increased by about 40 per cent. Agricultural output also showed a record increase in 1953-54. For 1954-55, total agricultural output according to the report is expected to be around the peak level reached in 1953-54.

In line with higher output, the need for larger private finance on the relaxation of controls and the increasing tempo of economic development, "money supply", figures for which have been revised to take into account the circulation of "Hali Sicca currency", showed a substantial rise of Rs. 124 crores or 7 per cent during 1954-55; in the previous year, it had risen by Rs. 72 crores. The increase stemmed mainly from two factors, namely, the Union Government's budgetary deficit and the growth in bank credit. Net borrowings by the Government from the Reserve Bank amounted to Rs. 104 crores; this along with the net decline in cash balances makes a total of Rs. 110 crores reflecting the impact of the budget deficit on money supply. Open market operations of the Reserve Bank, however, tended to curtail money supply to some extent. During the greater part of the year, there was a general broadening of the demand for funds, which was met by banks without any undue strain on their resources on account of the appreciable growth in bank deposits as well as the larger volume of seasonal finance made available by the Reserve Bank.

In the field of rural finance, a significant event during the year was the publication of the "General Report of the Committee of Direction of the All-India Rural Credit Survey". As part of their integrated scheme of rural credit, the Committee recommended the establishment of a State Bank of India, which would take over the Imperial Bank of India and certain State-associated banks. Government accepted this recommendation and have since enacted the necessary legislation and set up a State Bank. The "capital market" in India, the Report observes, reacted well to the general improvement in the country's economy. The gilt-edged ruled firm in spite of considerable borrowing by the Central Government while the industrial share market was also buoyant.

Reviewing "Government finances", The Report states that during 1954-55, the budgetary position of the Central and State Governments showed a perceptible change from the previous year towards larger overall deficits, stemming from the rising momentum of expenditure in the public sector. In the revenue account of the Central Government, a deficit of Rs. 5 crores replaced a surplus of Rs. 8.5 crores in 1953-54, while in the combined revenue account of Part A and part B States, the swing was wider still with a deficit of Rs. 33 crores instead of a surplus of Rs. 5 crores in the previous year. Excluding the net increase in receipts estimated under floating debt and adjusting for the net changes in investment reserves, the overall deficit of the Central Government in 1954-55 (Rs. 200 crores) was more than twice that in 1953-54 (Rs. 87 crores). In the case of part A and part B States, there was an adjusted overall deficit of Rs. 36 crores as against a surplus of Rs. 19 crores in 1953-54—a swing of Rs. 55 crores. For 1955-56, revenue deficits of the Centre and the States (after tax changes) are placed at Rs. 17 crores and Rs. 66 crores, and the adjusted overall deficits at Rs. 327 crores and Rs. 65 crores, respectively.

An event of special significance during the year was the submission to Government of the "Report of the Taxation Enquiry Commission", which contains far-reaching recommendations for widening and deepening the tax structure. The "balance of payments position" showed a smaller surplus on current account of nearly Rs. 4 crores during the calendar year 1954 in comparison with Rs. 59 crores in 1953, but at a much higher level of trade.

FRAMEWORK UNDER FIRE

BY

CROESUS

THERE are three aspects of Prof. Mahalanobis's draft of the draft plan frame which are being hotly debated in Bombay. These are (i) whether the total investment outlay, excluding the non-monetised sector, proposed in the second Five-Year Plan period is feasible; (ii) assuming that the total investment outlay is feasible, whether the country can garner the required resources and, if not, whether and to what extent the gap could be covered by deficit financing, and (iii) whether we have the requisite administrative machinery to handle the huge investment outlay proposed.

The draft plan frame envisages a total investment outlay of Rs. 5600 crores, of which Rs. 3400 crores is to be spent in the public sector and the remaining Rs. 2200 crores in the private sector. Actually the total outlay in the public sector would not be just Rs. 3400 crores if we should add certain recurring development expenditure included in the Plan. It would then amount to as much as Rs. 4300 crores which compares with an estimated outlay of Rs. 2244 crores and probably an actual outlay of no more than Rs. 2200 crores, in the first Plan. Whether this is feasible or not will entirely depend on the assumptions of the Plan frame about the rate of increase in the national income and savings proving correct. In the Plan frame is prescribed a target of 25 to 27 per cent increase in national income during the second Plan period. This is on the basis of an annual rise of 5 per cent, which seems—however desirable it may be—unduly ambitious, compared to the experience in other countries as well as in our own during the first Five-Year Plan. In the first of a series of lectures on the second Five-Year Plan, arranged by the Press Guild of India, which was inaugurated, the other day, by Mr. V. L. Mehta, a member of the Taxation Enquiry Commission, Prof. Shenoy, who, it may be remembered, has appended a note of dissent on the Memorandum of the Economists' Panel, maintained that even in vastly more favourable circumstances, none of the Western democracies was able to attain an annual rate of increase of 5 per cent in national income.

In Germany, for instance, he said, the rate of increase was only 2.8 per cent during the heyday of that country's industrial expansion; in Canada 2.6 per cent; in Australia 2.3 per cent and in the U.S.A. 3 per cent (during the last quarter of a century). The experience of our own country is that the total increase in the net national output during the five years ended 1953-54 has been under 8 per cent. Again, in order that an investment of the magnitude proposed by the Plan frame might become possible, domestic savings must increase from the present level of 6 per cent to 10 per cent during the period of the second Plan. Neither of these seems practicable, considering that the most liberal estimate of real increase in national income during the first Plan period—which, however, is disputed—has been no more than 12 to 13 per cent. To assume, therefore, a rise of double this, and that in the face of an annual increase in population of 1.25 per cent is, to say the least, Utopian.

PRUNING THE PLAN

If the size of the Plan has thus been "unduly inflated by unrealistic assumptions" as pointed out above, it might be argued that the size of the Plan could conveniently be cut down to meet the objections of even such conservative economists as Mr. Shenoy who strongly hold that "no plan can be bigger or bolder than the available resources". Unless one has all the relevant data, it is not possible to prescribe any size. But on the basis of our achievements in respect of the first Five-Year Plan and in the light of the experience of other democratic countries, Prof. Shenoy thinks that the safe order of magnitude of investment on the second Five-Year Plan would be about Rs. 3500 to Rs. 4000 crores. According to another estimate, if it is decided not to have a net deficit financing of more than Rs. 1000 crores over the second Five-Year Plan period, the plan outlay on the public sector should be in the region of Rs. 3600 to Rs. 3700 crores. (The corresponding figure—of the Plan outlay in the public sector indicated by Prof. Shenoy is between only Rs. 2500 and Rs. 2800 crores).

Granting, for arguments' sake, that we could have a Plan of this reduced dimension, 'prima facie', one would conclude, from the estimates of resources in the Plan frame work, that there should be no difficulty to finance the Plan, of course, with a provision for deficit financing of not more than Rs. 1000 crores. But a detailed examination would show that the resources indicated also have been considerably overestimated. Thus, to take only the total investment outlay of the Government on the second Five-Year Plan of Rs. 4300 crores, the Plan frame expects, by way of revenue surplus (on the assumption that the present rate of 3.5 per cent of national income will continue) Rs. 700 crores; railway surplus Rs. 200 crores; loans, small savings, etc. Rs. 1000 crores; foreign assistance Rs. 400 crores; additional taxation, compulsory savings and higher profits from Government enterprises (other than railways) Rs. 800 to Rs. 1000 crores, and deficit financing Rs. 1000 to Rs. 1200 crores. Let me examine the estimated receipts under each one of these heads.

FINDING THE RESOURCES

It is not clear how the framers of the draft Plan have taken it for granted that the increase in tax revenue will be proportionate to the rise in national income. It has been observed by a competent student of public finance that the maximum tax yield from additional tax measures, provided every recommendation of the Taxation Enquiry Commission is fully implemented, will be about Rs. 100 to Rs. 120 crores per annum. But the draft Plan has budgeted the revenue surplus for the five years under the second Plan at about Rs. 100 to Rs. 200 crores higher than even this figure. Apparently the planners are not aware that, inasmuch as a large portion of the new income to be generated as a result of the Plan outlay would be in the non-monetised sector or in sectors not reached by the tax net, the materialisation of the estimate would require not merely additional tax efforts but measures which are more extreme than even those recommended by the Taxation Enquiry Commission. Apart from whether the present proportion of tax revenue to national income is going to be maintained or not, the tax revenue would also suffer a setback if the increase in national income, which is dependent on the total investment outlay, were to be lower than the assumed level.

As regards the railway surplus, again, one is unable to see how the Plan frame could assume an annual contribution of Rs. 40 crores during the second Five-Year Plan period. For, in 1953-54, this was no better than Rs. 14 crores, while the highest figure for

any year during the first Five-Year Plan period was only Rs. 38 crores, that is, in 1951-52. Even the Railway Budget for 1954-55 provided for a contribution of just Rs. 17 crores. Making allowances for all the increase in traffic—subject to the railways being able to handle it all a fair estimate of the contribution from railways for the second Five-Year Plan would be an average of the lowest and the highest figures for the first four years in the first Five-Year Plan period, which works out to about Rs. 26 crores. In this case, again, the Plan frame's estimate markedly overshoots the reasonable mark. As for loans and small savings, informed opinion is that, here too, the figure assumed is an overestimate.

The taxation measures and the efforts to equalise income are certainly not expected to to create a conducive climate that would tend to increase the present level of receipts from these sources; on the contrary, they might well show a decline. In the first three years of the first Five-Year Plan, the Government could get only Rs. 35 crores by means of new loans and Rs. 151 crores by way of small savings. In 1954-55, these figures rose to Rs. 112 crores and Rs. 50 crores, respectively. The success of the latest Government loan probably suggests that the same figure may be taken, but certainly nothing higher. Computed on this basis, the total would still fall short of the Rs. 1000 crores estimated by the Plan frame. The estimated receipt of about Rs. 800 to Rs. 1000 crores from additional taxation, compulsory savings, profits of public enterprises, etc. would also appear to be an inflated figure. When the actual receipts under these heads become available they should make a revealing eye-opener to the authors of the Plan frame. One does not hear much criticism of the amount estimated under only one head, namely 'foreign aid'. There is, therefore, no great harm in assuming that it will go up to Rs. 400 crores, considering the favourable turn in the climate of opinion on this subject, particularly in America. To sum up, therefore, the total resources, on which one could safely proceed to base the second Five-Year Plan, would be not Rs. 4300 crores as the frame work indicates, but about Rs. 2000 crores less than that. If the whole of this shortfall is to be met from deficit financing, the disastrous consequences that would accrue can well be imagined.

DEFICIT FINANCING

On the precise extent of net deficit financing, opinions are bound to differ not only because the estimates might differ but also because there is wide difference of opinion as to the exact dose of deficit financing that the economy can bear. Even the Panel of Economists, who fixed the ceiling at Rs. 1000 crores for five years have urged the need for keeping the situation continually under watch, besides pointing out the danger of continued deficit financing at the rate of more than Rs. 200 crores a year. At the time of expressing this view, it could not have escaped the attention of the Panel that the estimated net deficit for 1955-56 itself has been put at over Rs. 250 crores. Prof. Shenoy believes that the maximum deficit financing that one can think of under the existing Indian conditions is about Rs. 50 crores per year or Rs. 250 crores for the whole of the second Plan period. Even the most simple forms of investment require some little capital and this, he says, can be created only by savings or by the inflow of foreign capital, which reminds one that economic development of poor countries is necessarily a painful process.

The problem before the country today is to provide large-scale employment—of the order of 10 to 12 million—with its limited available resources and, in view of this, it is argued by some, a bolder plan in content as well as structure is called for even if it means deficit financing.

Now, since there seems to be general agreement that, even if it means some deficit financing, the economic development of the country must go apace, it is very necessary to make sure of two things: (i) that the magnitude of deficit financing is severely determined by the total monetary outlay estimated on the basis of the available physical resources and employment programme and the capacity for taxation and borrowing, internal as well as external, and (ii) that the extent of deficit financing does not pass beyond the stage when it may entail the application of totalitarian measures to counter the harmful effects of runaway inflation. Any attempt at investment in excess of the available real resources, according to Prof. Shenoy, will lead to one of three consequences, namely, uncontrolled inflation, gradual or rapid writing-off of individual freedom and democratic institutions by administrative or legislative action, or a wide gap between targets and achievements as has happened in the case of our first Five-Year Plan. In a democratic country, where masses of the people live close to the margin of subsistence, everyone must agree with Prof. Shenoy that uncontrolled inflation might undermine the existing order of society. In any case, as he says, it will impede the overall economic development by diverting economic savings into gold hoards or socially less useful investment. It is, therefore, of the utmost importance to ensure that the greatest care is taken so that the extent of deficit financing that the country can permit itself is not such as to produce serious inflationary consequences and entail measures of control, which must necessarily be of a totalitarian character.

REGIMENTATION?

While there is divergence of views about the precise extent of deficit financing that the country can safely indulge in, it is interesting to note that, even otherwise, there is entirely outside the programme of deficit financing, the plan framework contains features wherein lurk dangers of totalitarianism. There is, for instance, the calculated attempt to relegate the organised private sector into an insignificant position and a correspondingly insidious attempt to enlarge the scope of the public sector beyond a reasonably realistic and desirable limits. Again, the disproportionate emphasis on heavy industries in imitation of the communistic model is likely to compel the country to resort to totalitarian methods. One also apprehends the possibility of the totalitarian danger in the Government's expressed willingness to take over banking, insurance and some aspects of trade, if need be, to facilitate the implementation of the Plan. Finally, the plan framework does not sem to have given adequate attention, even while contemplating an unwarranted expansion of the public sector, to the availability of the necessary administrative machinery.

In the light of what has been discussed so far, it is pertinent to ask whether we might not be content with a plan less ambitious in scope and more in keeping with our resources. Even the very conservative size of the plan indicated by Prof. Shenoy postulates an investment in the public sector which roughly corresponds to the targets under the first Five-Year Plan and an achievement which is about 40 per cent higher than that under the first Plan. Even this should be regarded as remarkable, considering that it does not even remotely savour of totalitarian strategy. The democratic approach towards economic development ensures as spectacular results as, if not more spectacular ones than, the totalitarian approach.

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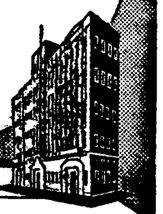
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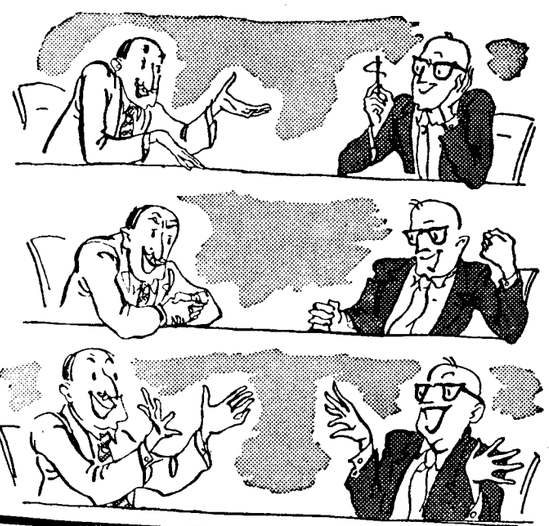
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BUSINESS NOTES

SYNTHETIC RUBBER PLANT FOR BOMBAY

BOMBAY BIDS fair to have a 15,000-ton synthetic rubber plant, if the Government of India approves of the plans of the Oil Refinery Companies in the State to set up a Rs. 30-lakh plant for this purpose, making use of their waste products. It is estimated that more than 16 per cent of the crude oil that enters the refineries annually, or some 3,75,000 tons, comes out as gas, for all of which, however, economic disposal has yet to be found. In the refineries themselves, thanks to the latest design incorporated in these furnaces, a fraction of these just about 2 per cent, is employed for heating the cracking furnaces. The waste gas is known to be rich in methane, ethane, butane, etc, which are the starting materials for the synthetic rubber and the plastic industries. The Dow-Kilachand plant for producing polysterene would probably absorb some of these products. Even then there would be left a considerable quantity of waste products and the proposal to turn them into synthetic rubber is really commendable.

However, one has to reckon with the reactions of natural rubber producers in this country to the proposal, in that, when the proposal materialises, it is they who would be vitally affected. It should be remembered that 15,000 tons of synthetic rubber represent more than 50 per cent of the total consumption and about 75 per cent of the total production of natural rubber in this country. When Indian synthetic rubber, which will undoubtedly be cheaper than any imported synthetic rubber, is on the market, it is sure to bring down natural rubber prices from their present levels (Rs. 138 for 100 lbs.), even which are not considered sufficiently remunerative. As against this disadvantage, there is one advantage. It will eliminate dependence on our imports which, in recent years, have been steadily rising. Also, if, as a result of the profits from their synthetic rubber sales, the refinery companies should reduce their oil prices, the country too would stand to gain to some extent. All these aspects of the question would no doubt be borne in mind by the Union Government in arriving at a decision about licensing the proposed synthetic rubber plant in Bombay.

NEW HEDGE CONTRACT: PROPOSED CHANGES

NOW THAT the sub-committee appointed by the East Indian Cotton Association (Bombay) has completed its labours on the revision of the hedge contract for the coming season, and it is reported that the Forward Markets Commission, which was kept fully informed of the discussions of the sub-committee throughout, also has accepted the amendments suggested, it is only a matter of days before trading in the new cotton contract will commence. For the most part, the E.I.C.A. sub-committee's discussions were highly technical which many may not have cared to follow or to bother themselves about, but the main changes agreed to be affected, which will interest all, are as follows:

(i) There is to be only one hedge contract and not two contracts as some had been urging.

(ii) The revised basis of the contract provides, inter alia, for:

(a) all tenderable varieties under the Hedge Contract being tenderable only up to 2/32" 'ON' 1/32" 'OFF' for staple;

(b) The basic cotton Jarilla, fine staple, being raised from 25/32" to 13/16" and made tenderable up to 14/16" with a tolerance of 1/32" 'OFF' for staple (¾" Jarilla also is to continue to be tenderable but it will be grouped as B (the others being A) without any 'ON' allowance for staple);

(c) a separate standard being created for Rajpipla and Jhogadia cotton, the basic staple for this standard being 27/32";

(d) dividing Jayadhar and Laxmi cotton into two different groups A and B; and

(e) deletion of Punjab-American 4F, as no such commercial crop is grown in India now.

(iii) There is to be no change either in delivery months, or in weightage, these continuing to be February, May, and August and 6¼ per cent, respectively, as at present.

(iv) The commission under by-law 54B (9) for upcountry delivery, is to be raised from ¼ per cent to 1 per cent.

(v) No change is to be made in the prevailing number of tender days, but, in order to meet the demand of those who want to restrict upcountry tenders up to 15th, it seems to have been agreed that, by suitably amending the bye-laws, the spot rate fixed by the Board on due date for basic cotton might be made applicable for invoicing back under the Hedge Contract until the surveys and appeals are finally disposed of, leaving it to the Daily Rates Committee to fix spot rates applicable to Delivery Contracts only.

(vi) No change is to be made either in respect of tendering differences (by-law 55) or fixation of spot rates for basic cotton during the delivery period and on the due dates (by-laws 31 and 32).

(vii) The prohibition on fresh business on and after the first day of the delivery period for trading in such conract except for liquidation purposes is to go, and there is to be no restriction on fresh trading during the delivery period.

(viii) The buyer is no longer to have the right of buying on account under the hedge contract.

(ix) A new bye-law is to be enacted requiring debtor as well as creditor member of the defaulting member to put in statements of their dues and claims as a result of the closing out of contracts of the member declared defaulter in the previous clearing, so that all claims and liabilities of a defaulter-member would be covered completely within the authority of the E.I.C.A. and not left to the whims of the parties concerned.

(x) A standing bye-law committee is to be appointed to go into the suggestions for revisions in the bye-laws, received from time to time, and to report thereon to the E.I.C.A. Board.

FIVE MONTHS OF INDO-U.K. TRADE

THE INCREASE in the overall trade between India and the U.K. noticed in the first quarter of 1955 has been well maintained up to the end of May. For the first five months of this year, India has sent Britain goods valued at £75,835,000, as against only £57,799,000 the figure for the corresponding period in 1954. With the value of total imports from the U.K. into India for the period remaining at only £55,615,000, India has been enabled to strike a favourable balance of trade, for the fifth month in succession, to the tune of £20,220,000.

Tea, which accounted for almost 60 per cent of India's export trade with the U.K. during the first four months, continues to be the major item. At £42,073,000, the value of exports of Indian tea during January-May, 1955 represents an increase of £15,775,000

over the corresponding figure for 1954. If the present high rate of tea exports to Britain is maintained for the rest of the year, the total value of tea exports to the U.K. for the whole year may well exceed that for the previous year of only £76,963,000.

The next largest group of Indian exports to the U.K., namely, miscellaneous textile manufactures, however, shows a slight fall as between the first five months of 1955 and 1954, presumably due to the conciliatory attitude of Indian textile interests. Thus, the value of goods exported under this head at £7,546,000 for the five months ended May, 1955 compares with £8,147,000 recorded in 1953.

Machinery other than electric headed the products of British heavy engineering industry that made up the bulk of India's imports from the U.K. up to the end of May. During the five months under review, the value of these imports was placed at £13,150,000 as against £12,469,000 for the corresponding period during the previous year. The trend of imports of electric machinery, apparatus and appliances, as well as chemicals, also remained favourable to the U.K.

SWITCH-OVER TO MAN-MADE FIBRES

THE WORLD has lately been witnessing a shift in emphasis towards man-made fibres as contrasted to natural fibres. Besides the use for garments, there is rapidly being found increasing uses for man-made fibres in the industrial sphere as well. Evidently the idea has caught on, as is seen from the fact that much machinery originally installed for spinning, weaving, and processing natural fibres is now reported to be in operation only because it has been switched over to the production of man-made fibres. This perhaps explains the cryptic forecast made by the Chairman of Balstone, Cooke and Raonese Ltd. when he recently referred to the increasing use, in the textile industry, of man-made fibres, that "Lancashire is all right for the next 100 years." With the experience of over fifty years in the textile trade, his remark that there is more scope for progress in the textile trade than ever before, what with a dozen or so new types of fibres being developed, and his advice to the industry to acquire flexibility and switch over to the production of fabrics in which foreign competition would be less intense are significant. And this should be of some concern not only to cotton goods manufacturers but to cotton producers as well.

The switch-over of a large number of Lancashire spindles and looms to new raw materials received great impetus even as early as in 1937, when big strides were made in producing yarns and cloths from rayon staple, rayon filament and other man-made fibres following the withdrawal of rigid utility specifications and the high prices of raw cotton subsequent to the outbreak of the Korean war. In 1954, the annual capacity for the truly synthetic fibres rose to more than 100,000 bales in the U.K. and is expected to reach 170,000 bales by 1956. In America also, the votaries of man-made fibres have been on the increase. Thus, between 1937 and 1953, the consumption of man-made fibres increased by 353 per cent, whereas cotton, wool, silk, and linen combined rose by only 14 per cent! Among other countries in the free world, Japan led the rest with its rayon production in 1954 which was five times larger than in 1949.

It is difficult to gauge the actual repercussions on the cotton market as a result of the popularity that is steadily being gained by rayon and other synthetic fibres, but this much can be said, namely that it has provided greater opportunities for mixing these fibres with pure cotton, particularly in countries like Japan, where man-made fibre is relatively cheaper than cotton.

REPORT ON RAILWAY CORRUPTION

THE PRECIOUS little that has trickled through in the Press about the findings of the Railway Corruption Enquiry Committee cannot fail to produce the impression that the situation is graver than generally assumed. Acute corruption is the legacy of war-time shortages. If it is rampant on a relatively much more extensive scale than in several government departments, it is because of the persistence of shortages of railway transport capacity. The Committee puts its finger on the long-term remedy when it says that marshalling yard, transhipment and loading or unloading facilities should be expanded. This expansion is, of course, an integral part of the railway development plan. But the suggestion probably does not take account of the fact that traffic also will keep on expanding.

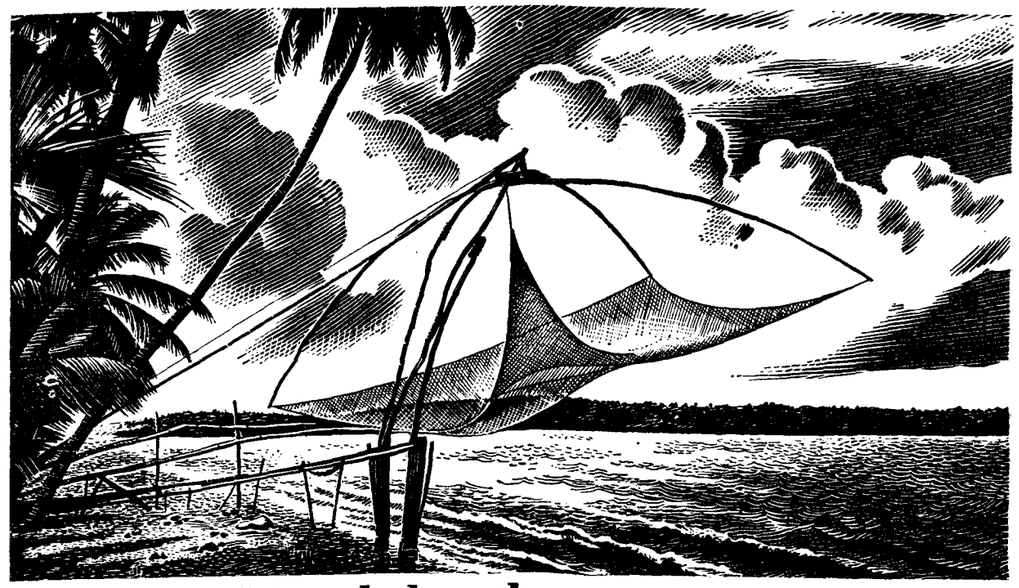
Suppression of corruption, however, cannot wait on the gradual elimination of shortages of capacity on the railways. The Committee has minced no words and it has stressed in a tone of gravity that this evil has demoralised even the higher ranks in railway services. It has cited several sources which open up lucrative outlets for corrupt officials at all levels to extract illicit rewards. But it would appear that engineering contracts and settlement of compensation claims are the most fruitful among them. It is astonishing that disparities between original and revised cost estimates in contracts should run amuck to the extent of 60 per cent. Why this is tolerated year after year is a serious question which must be tackled by the Railway Ministry ruthlessly. The user of freight transport is the worst victim of corrupt practices, but the passenger too is subjected to various sorts of petty harrassments. The Committee has recommended the establishment of a separate machinery for investigation into offences arising from corruption. It would be pointless to duplicate the machinery, but the independent cadres of anti-corruption police need to be strengthened and extended.

Probably a revealing verdict recorded by the Committee is the one that relates to the constant interference by legislators with the normal administration of railways for wrongful purposes. This verdict, coming as it does from a committee composed of Members of Parliament, constitutes a serious condemnation and calls for effective measures to put a stop to intermeddling with administration by politicians armed with potential authority. It is difficult to see how otherwise the morale of the railway staff can be maintained.

METAL BOX—ANOTHER STEP FORWARD

THE METAL Box Company of India Limited took another step forward in its expansion activities last year ended on March 31, 1955. The tight situation in raw materials which threatened to develop into a crisis due to shortage of tin-plates was energetically handled by timely action to import supplies from America. In spite of this temporary difficulty and the set-back which production suffered at Calcutta owing to labour trouble inspired by irresponsible trade union leadership, the company was able to score a substantial measure of progress. Sales were pushed 10 per cent above the previous year and in this successful promotion activity the growing popularity of the company's consumer package products and intensive efforts of the sales staff had a real share. The dividend was maintained at 10 per cent at which it is stabilised since 1951—a year which constitutes a landmark in the company's history when Indian investors could begin to acquire interest in its share capital.

Mr. H. Chiswell Jones, the Chairman of the Company, has explained in his speech, which appears elsewhere in this issue, not only the progress on the financial and operational fronts but also on the technical front. The broad details of the agreement with the company's technical consultants in London, which are set out in the speech, indicate that all benefits of research and technical advances in flexible packaging will be ensured for the company.



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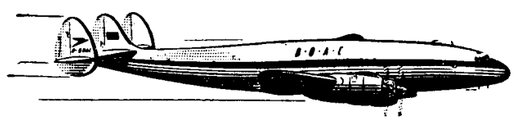
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COMPANY AFFAIRS

THE AGARPARA CO., LTD.

The audited accounts of the Company for the half-year ended 30th September, 1954, show that with the sum of Rs. 54,435 brought forward from the previous half-year and after providing for depreciation and all other charges, there remains a balance of Rs. 6,43,972 from which has been set aside Rs. 1,80,000 for taxation and Rs. 50,000 for Reserve for Doubtful Debts leaving a balance of Rs. 4,13,972 which it is proposed to be dealt with as follows:

Payment of Dividend on 10,000 Preference Shares at 7 per cent per annum free of Income-Tax	Rs.	35.000
Payment of Dividend on 60,000 Ordinary Shares at 7½ per cent per annum free of Income-Tax	„	2,25,000
Transfer to General Reserve	„	50,000
Carry forward to net period	„	1,03,972
TOTAL	Rs.	4,13,972

In accordance with the provisions of the Indian Jute Mills' Association Working Time Agreement 12½ per cent of the total looms remained sealed. The working hours were 42½ hours per week from the commencement of the period till 12th July when working of 45 hours per week was commenced. These hours were further increased to 48 hours per week from the 18th October, 1954, to meet the growing demand for goods. Trading conditions continued to be difficult. Raw jute prices which fell earlier on the reports of a large crop rose steadily later on as a result of the heavy floods which affected most of the jute growing districts of India and Pakistan. Since the close of the period under review some modern machinery for the hessian section has arrived and has been installed.

THE INDIAN GALVANIZING CO. (1926) LTD.

The audited accounts of the above mentioned Company (Managing Agents: Balmer Lawrie and Co., Ltd.) for the year ended 31st December, 1954 are as follows:

The profit for the year, after deducting items relating to previous years and providing for depreciation, was	Rs.	1,69,361
To which is added the balance brought forward from 1953	„	18,139
TOTAL	Rs.	1,87,500

The Directors recommend that the total of Rs. 1,87,500 which is available for distribution be dealt with as follows:

Dividend on Preference Shares at the rate of 6 per cent (subject to deduction of Indian Income-Tax)	Rs.	16,947
Dividend on Ordinary Shares at 4 per cent free of Income-Tax	„	1,47,783
Balance carried forward	„	22,769
TOTAL	Rs.	1,87,500

The output of the Bombay Drum Plant valued at Rs. 37 lakhs conceals the continued low production of the Calcutta Works and the reduced sales of Henry Hopes products which have combined to give a disappointing return on an improved turnover of Rs. 93 lakhs.

The Managing Agents have decided to waive a proportion of the commission due to them as they consider that the calculation on which it is based does not conform to modern practice.

CLIVE ROW INVESTMENT HOLDING CO., LTD.

The Directors of the above Company present the audited accounts for the half-year ended 31st March, 1955.

After providing Rs. 1,90,000 for Taxation, the Profit for the half-year under report amounted to			Rs.	2,14,010
The Balance brought forward from the Previous half-year ended 30th September, 1954, was			„	23,68,981
TOTAL			Rs.	25,82,991
The Directors have transferred to General Reserve	Rs.	10,00,000		
The Proposed dividend for the half-year ended 31st March, 1955, at As. 6 per share will absorb	„	5,20,500	„	15,20,500
Leaving a balance of			Rs.	10,62,491

The Company's investment portfolio was reorganised during the half-year by selling certain non-dividend-paying investments and purchasing further investments mainly in Ordinary Shares of Public Companies. At 31st March, 1955, the Company's investments were spread over industries of the country in the following proportions:

Tea	24 per cent	Paper	6 per cent
Jute	23 per cent	Shipping	6 per cent
Coal	18 per cent	Miscellaneous	23 per cent

The results for the year ended 31st March, 1955 are as follows:

Dividends and net interest received			Rs.	12,32,956
Scrip and transfer fees			„	346
TOTAL			Rs.	12,33,302
Deduct expenditure:				
Salaries and Wages	Rs.	12,478		
Charges General	„	19,390		
Secretaries' Remuneration	„	62,500		
Directors' Fees	„	96	„	94,464
Deduct:				
Provision for Taxation			Rs.	4,11,000
Net Profit for the year ended 31st March, 1955			Rs.	7,27,838

Note: In future years the Company's accounts will be closed annually on the 31st March instead of half yearly as hitherto.

COMMODITY NEWS AND NOTES

FINAL SUGARCANE ESTIMATE, 1954-55

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India, the All-India final estimate of sugarcane, 1954-55, puts the current year's acreage and production at 3,932,000 acres and 54,648,000 tons of cane, as against the partially revised estimate of 3,498,000 acres and 43,873,000 tons of cane respectively, for 1953-54. This shows an increase of 434,000 acres or 12.4 per cent in area and 10,775,000 tons of cane or 24.6 per cent in production over last year. Expressed in terms of gur, the production is placed at 5,546,000 tons during 1954-55 and 4,464,000 tons during 1953-54.

The increase in acreage and production of sugarcane has been reported by almost all the major sugarcane growing States; it is, however, more marked in U.P. and is due mainly to high prices of gur, better seasonal conditions and better irrigation facilities during the current year as compared to last year. Slight decreases have, however, been recorded by Andhra, Madhya Bharat and Mysore.

U.P. SUGAR INDUSTRY

Questions relating to the reorganisation of the State's sugar industry and the extension of the crushing season were discussed at a meeting of U.P. Sugarcane growers, millowners and Government, held in Lucknow on July 11. Mr. A. P. Jain, Union Agriculture Minister, who participated in the talks, said that while the Government of India did not consider displacement of U.P.'s sugar industry feasible, it could not encourage its continued subsistence at the cost of consumers in other States. The cost of production in South India was lower by Rs. 5 a maund. It was, therefore, necessary, Mr. Jain said, to reorganise and strengthen the industry so as to make it competitive.

With a view to meeting the problem created by an anticipated "over-production" of cane this year, it was suggested that the mills should begin crushing on October 15. While it was agreed that the extension of the normal crushing season by about two months would help to utilise the entire crop, millowners demanded relief by way of reduction in the price of cane or abolition of excise duty or cane cess to offset the effect of poor sugar content of earlier cane. Growers rejected this demand on the ground that the price of cane is already lower than what it should be.

COCONUT OIL FUTURES

Forward trading in coconut oil will be transacted under the auspices of the Alleppey Oil Millers' and Merchants' Association from August 1955, instead of under the joint control of the Association and the Alleppey Chamber of Commerce as at present.

Mr. G. Chidambara Aiyar, Vice-President of the Association, who disclosed this at the third annual general body meeting of the Association, said the "fusion" of the forward sections of the two organisations was because they were not likely to get separate licences for forward trading in future under the present policy of the Government of India. For all other purposes, the Association and the Chamber would function as two separate bodies.

OUTLOOK FOR COCOA

World production and consumption of cocoa beans increased by 600 per cent in less than 40 years—from about 100,000 tons in 1900 to 730,000 tons in 1934-38, according to the Food and Agriculture Organisation of the United Nations. Because of the enormous rise in the prices of beans, quality of cocoa is not what it used to be. With the exception of rubber, no other agricultural crop has experienced such a rapid growth and today the economic outlook for cocoa is probably more favourable than for any other agricultural commodity, the F.A.O. states.

POPULARISING LEATHER GOODS

Attainment of self-sufficiency and greater use of indigenous materials were the two most important objectives envisaged in the nearly 100 papers read at the three-day symposium on the Tanning Industry which concluded at the Central Leather Research Institute at Madras recently.

Substitution of the imported Wattle Bark by indigenous tanning materials, increased production of suitable types of leather goods to capture foreign markets and improved techniques for the manufacture of synthetic tanning materials in India, were the main recommendations.

HAND-POUNDED RICE

The replacement of rice mills in India by the hand-pounding industry, organised and developed on co-operative lines, within a period of about five years, is the main recommendation of the Rice Milling Committee. This, according to the Committee, will serve to open an additional avenue for employment to rural population, relieve seasonal unemployment amongst agricultural labour and also ensure better nutritional value for the rice-eating population of the country.

The Rice Milling Committee was set up by the Government of India in October, 1954, with Mr. C. P. Karunakara Menon as its chairman, to examine the working of different types of rice milling now in vogue in the country in all its aspects, such as technical, nutritional, economic, consumer preference and employment.

MARKETING OF ORANGES

The Nagpur District Orange Growers' Association will shortly introduce a scheme for crop financing and marketing of oranges to expand and develop this premier fruit industry of the State with an annual outturn of nearly Rs. 3 crores. The scheme is intended to integrate cultivation with industry.



Company Meeting

THE METAL BOX COMPANY OF INDIA LIMITED

Review by the Chairman—H. Chiswell Jones

SALES

The general improvement I anticipated over the unsettled conditions in 1953-54 materialised. Notwithstanding the time lag between the country's increased economic activity and its translation into demand for our products, we were able to achieve an expansion of 10 per cent on the previous year's sales volume. This increase was in no small part due to a vigorous effort to expand our sales and we took full advantage of the opportunities offered by the improved demand for packaged consumer goods.

Our fortunes are intimately linked with those of the middle classes and measures which by design or effect reduce their purchasing power will adversely affect all the consumer goods industries we serve. As you know, we have been the pioneers of the small branded consumer package for foodstuffs, the increasing use of which is highly important if India is to make the most efficient use of her food resources. Of the total fruit and vegetable crop, amounting to several million tons, a considerable portion goes to waste. If a substantial fraction of this was canned, India's requirements of processed food containers could be raised from 6 million (compared with Japan's figure of 700 million) to as much as 1,000 million cans per annum; a fact that emphasises what tremendous savings could be achieved by a well-organised canning industry. It is gratifying to know that the development of this important industry is being considered for the Second Five-Year Plan. But, even a small reduction of consumer purchasing power would block progress and mean continued wastage of food. More generally, since the small pilferproof consumer-package must of necessity be slightly more expensive, it could lead to a return to the old insanitary bulk pack, undermining those efforts which must relentlessly be applied if the quality of consumer goods and their hygienic presentation is to be improved.

The purchasing power of the public shows signs of remaining steady and, provided no serious economic crisis arises, I consider the prospect for the year is a continued expansion of sales.

PROFIT

The increase in sales, forecast at the time of my last Review, together with the strict maintenance throughout the year of the operational economies introduced earlier, resulted, as expected, in a better trading profit.

Although competition is keen, I have confidence that the upward trend of sales can be maintained and a reasonable profit level sustained.

FINANCE

The dividend on the Ordinary Shares has been maintained at 10 per cent since 1951; the year in which the Indian public acquired an interest in the equity capital.

Fixed Assets during the four periods ended 31st March, 1955, have increased by approximately Rs. 70 lakhs, i.e. nearly 70 per cent, and this substantial increase has been largely financed from profits retained in the business.

The Directors feel that it is reasonable for shareholders to expect some return on the additional finance they have thus provided for the Company's modernisation and expansion programme. With this in mind the Directors are recommending a final dividend of 7½ per cent on the Ordinary Shares, making a total of 12½ per cent for the year.

RAW MATERIALS

In June last year we were informed that crisis in tinplate supplies was likely to develop later in the year following a temporary shortage of steel bars and a considerable overbooking of orders by many consumers in anticipation of a scarcity. In consultation with the authorities, it was deemed necessary to import tinplate from America in order to safeguard our customers' supplies. With the help of our Associates abroad early delivery was obtained and the crisis averted.

Indigenous tinplate production is presently running below demand, but expansion plans are well advanced and, early next year, a substantial additional tonnage should be available. The present shortfall is being met by importation.

There has been no change in the price of Indian tinplate during the year.

As a result of continued expansion of local manufacture and packing of previously imported goods, our consumption of aluminium is increasing. For collapsible tubes we obtain satisfactory indigenous material and, though at one time last year there was a temporary shortage of supply, this has since been remedied.

However, the special aluminium sheet required for the production of pilferproof seals, screw caps, penicillin phials and general containers is not at present produced in the country to the required standard and finish and, from time to time, delay in obtaining import

licences, coupled with a steadily increasing demand, has kept us on a hand-to-mouth basis. There appears to be a good case for either an increase in the quotas granted to established importers or placing the material on Open General Licence; representations have been made to Government.

Generally, costs of other raw materials remain steady but the new Excise duty will increase the cost of coatings, lacquers and varnishes, paper for packing purposes and board for the manufacture of composite containers.

INDUSTRIAL RELATIONS

In Bombay and Madras relationships with our workers have been excellent throughout the year. In Bombay our Works' Committee has rendered most valuable service acting as the vital link between Management and the main body of the workers on day-to-day matters, whilst in Madras the position exemplifies the fact that excellent labour relations can be maintained given sound Union leadership and a responsible Works' Committee.

In Calcutta, I am distressed to report a deterioration which, shortly after the end of the financial year, resulted in the temporary closure of the factory.

Towards the end of 1954 the Union leadership passed into the hands of extremists—a dismissed employee was elected as Secretary of the Union and, through his instigation, a series of acts of indiscipline were staged including assaults on supervisory personnel for which the assailants were dismissed. A stay-in strike took place on March 30th and, notwithstanding that Conciliation proceedings were in progress, a further strike was called and took place on April 20th. It being clear that normal work could not proceed without an assurance that these acts of indiscipline would cease, the Company decided, for security reasons, not to resume work until a satisfactory undertaking of good behaviour was obtained.

The closure lasted for 18 days with consequent loss to the Company, its workers and its many important customers in the Calcutta area, whose patience and understanding is gratefully acknowledged.

We have always been willing to sit down with our employees and discuss their reasonable aspirations and representations, but, when attempts are made to coerce Management by threats, by restraint and by attacks on the staff, we have no alternative than to take such action as will ensure the safety of our employees and the protection of our property.

It is impossible for a large industrial undertaking to function in an atmosphere of worker indiscipline; yet, in the majority of cases those responsible are a mere handful of the total labour force. These irresponsible elements—themselves with little to lose for they are often paid by outside sources—lead the main body on with extravagant promises. Such situations rarely, if ever, lead to any lasting benefits for the workers, and more often than not, to suffering and hardship.

The situation in the Calcutta factory is now much happier and I hope will remain so for a long time to come.

DEVELOPMENTS AND NEW PROJECTS

Having successfully overcome the inevitable teething troubles inseparable from a new undertaking, full scale production of aluminium pilferproof seals for glass bottles commenced in Bombay in the latter half of 1954. This new development has been well received by bottlers throughout the country; a substantial demand is forecast and we now plan to manufacture in Calcutta as well.

The Technical Development Section are manufacturing the special machines required to apply these caps.

Owing to unforseen difficulties over the lease, now settled, the opening of the small scale factory at Delhi was delayed; production has since commenced.

The Technical Research Laboratory at Calcutta has been completed and is expected to make a valuable contribution to the development of improved surface finishing materials. The Laboratory will work in close co-operation with indigenous manufacturers of printing inks, coatings, varnishes and lacquers, to attain agreed standards on an all-India basis, which should ultimately result in operational economies.

We have recently extended the agreement with our Technical Consultants, The Metal Box Company Limited, London, to cover all aspects of Flexible Packaging—a generic term covering bags, pouches, pockets, satchels or wrappers made from viscose or thermoplastic films such as polyethylene, or laminated combinations of these with paper or cardboard. Through our Consultants we will receive the benefit of technical knowledge and research in this promising new field, but so many varied developments are currently taking place in Europe and America that we are proceeding cautiously in order that we may obtain the benefits of the latest techniques and equipment.

The Mangalore factory has completed its first full year of operation and is working smoothly and successfully.

I referred in my last Review to the start we had made on the production of Industrial components. From the trade response it is clear that we are providing a valuable service, making it unnecessary for manufacturers to set-up specialised equipment for limited production of component parts which, in themselves, are merely ancillary to their main production. We expect a steady expansion of demand in this promising new field.

Until recently collapsible tubes greater than one inch diameter had to be imported, but further extrusion and printing equipment covering a larger size range has been installed and we are now making all sizes of tubes presently required. The same equipment enables us to make larger sizes of rigid aluminium tubes. Machinery has also been installed to provide internal lacquering for products which react with aluminium and need this additional protection.

The new printing factory at Calcutta has been completed and is in operation.

STAFF

Once again it is my pleasure to thank all the staff for their fine effort throughout the year. Their keenness, enthusiasm and loyalty to the Company has contributed in no small measure to the satisfactory results attained.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949–50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947–48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948–49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949–50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950–51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951–52	..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952–53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953–54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100 6	87.3	95.6
1954–55	..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
September 1954	..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c	..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c	..	334.2	443.8*	348 8*	377.0	605 4	376.1	90 4	100.5	88.3	116.0
December ,, c	..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955	..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c	..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c	..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c	..	282.3	390.4	330.6	370.0	568.0	342.9	90.8	100.6	87.5	113.2
Week Ending 28-5-1955	..	276.2	389.6	331.4	373.6	548.8	341.0	90.8	100.7	87.6	112.3
4-6-1955	..	276.7	386.2*	330.9*	371.0	574.8	340.6	90.8	100.5	87.6	111.9
11-6-1955	..	277.3	392.2	329.1	370.3	566.2	341.0	90.8	100.5	87.5	112.5
18-6-1955	..	284.9	393.1	330.1	369.3	565.3	343.9	90.7	100.5	87.5	113.9
25-6-1955	..	290.8	389.9	332.6	369.5	565.7	346.1	90.9	100.8	87.7	114.3

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
1955 January	335	358	210	132	324	372	370	126	333	141	136	134
February	329	345	207	128	310	384	361	126	326	137	135	131
March	324	340	205	127	310	377	360	129	321	133	133	130
April	324	340	200	126	311	352	353	130	314	129	129	—
May	—	336	204	122	—	335	—	—	—	—	—	—
June	—	—	—	—	—	347	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 9-7-1955 High	9-7-1955 Low	9-7-1955 Average	2-7-1955 High	2-7-1955 Low	2-7-1955 Average	25-6-1955 High	25-6-1955 Low	25-6-1955 Average	18-6-1955 High	18-6-1955 Low	18-6-1955 Average
Gold (per fine tola) ..	94-13	93- 6	93-13	94-11	93-6	94- 1	94-15	93- 4	94- 1	94-15	92-10	93-12
Silver (per 100 fine tolas)	164-12	158-10	160-13	159-15	157-8	158-13	157-10	155- 9	157- 1	158- 5	154-12	156-13

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

ERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52:91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62s	1,253,86
1949-50*	(5,58) 1,128,94	(—) 24,00	(5,58) 1,152,94	40,02	647,04	687,06	59.59	(90) 50,53	415,36	(5,58) 1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
December 1954	1,198,02	22,22	1,220,14	40,02	657,15	697,17	57.13	105,32	417,75	1,220 24
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56.33	104,27	435,14	1,226,53
February ,,	1,239.39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275.26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313.32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331.74
May ,,	1,324.71	15,14	1,339.85	40,02	661,98	702,00	52.39	104.14	533,71	1,339.85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
Week Ending										
27-5-1955	1,316,09	24,03	1,340,12	40,02	661,98	702,00	52.38	104,42	533,71	1,340,12
3-6-1955	1,324.95	14,30	1,139,25	40,02	652,04	692,06	51.68	103,55	543,65	1,339,25
10-6-1955	1,331,28	8,23	1,339.50	40,02	652.04	692 06	51.67	103,80	543,65	1,339,50
17-6-1955	1,321.23	19.05	1,340 28	40,02	652.04	692,06	51.64	104,58	543,64	1,340 28
24-6-1955	1,310,79	30,30	1,341,03	40,02	652,04	692,06	51.60	105,39	543,64	1,341,09
1-7-1955	1,312,72	28,58	1,341,30	40,02	652,04	692,06	51.60	105,60	543,65	1 341,30

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
1949-50*	(14,33) 141,19	(3.04) 23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	(1) 3,35	8,39	960,54	4,34
1950-51*	148.60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181.30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105.44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9.95
Average of Fridays														
December 1954	63,53	12,33	69,12	34,44	179,42	21,44	210,86	22,50	7,28	72,79	1,73	16,91	80,33	9,31
January 1955	53,95	15,50	61,48	34,01	164,95	20.95	196,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56.47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52.9	17.90	48,89	22,08	141,84	38,25	190,08	15,28	11.46	51,97	80	40.22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
Week Ending														
27-5-1955	54,63	14,17	49,46	21,77	140,04	41,44	191,48	24,19	11,23	48,46†	80	35,78	41,79	29,24
3-6-1955	52,21	14,75	46,72	21,88	135,56	41,79	187,35	14.41	12,24	60,03†	80	29,40	40.74	29,73
10-6-1955	55,35	11.58	48,95	21,68	137,57	42,28	189,85	8.34	14.09	66,11†	1,36	29,63	40,52	29,81
17-6-1955	57,15	11,79	49,88	22,15	140,98	45.25	196,26	19,20	14,03	64.60†	1,05	28,61	39,04	29,73
24-6-1955	57,83	11,21	54,52	21,84	145,40	45,88	201,29	30,46	10,75	63,93†	80	26,80	37,90	30,65
1-7-1955	58,96	12,34	46,14	35,70	153,14	30,04	193,17	28,69	11,96	61,86†	91	37,20	46,55	6,01

Note: Figures in brackets relate to Pakistan. and Reserve Fund. *Average of Fridays. **Includes Rs. 5 crores each on account of capital paid-up †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.76	523,59	22,81	61.77	303,43
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
January 1955 ..	576,31	368,39	945,19	32,83	60,31	9.85	476,93	78,21†	58.74	351,33
February ,, ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March ,, ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
Week Ending										
3-6-1955 ..	591,01	391,40	982,40	35,02	49,24	8.58	500,72	119,54†	64.85	344,49
10-6-1955 ..	592,19	393,06	985,25	34,61	48,64	8.45	501,09	116,78†	64.51	344,87
17-6-1955 ..	594,23	394.97	988,19	34,08	48,08	8.31	498,06	114,44†	64.05	345,95
24-6-1955 ..	602,56	393,74	999,29	34,27	52,45	8.68	498,43	111,38†	63.07	346,56
1-7-1955 ..	600,72	397,91	998,63	35,59	47,26	8.30	508,88	108,83†	63.40	350,46

* Undivided India.
† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
April 1954 ..	1,844,92	1,242,54	602,38	558,05	44,33	−1,43
May ,, ..	1,830,54	1,229,31	601,23	563,56	37,67	−14,38
June ,, ..	1,798,01	1,199,85	598,16	564,99	33,17	−32,53
July ,, ..	1,769,96	1,167,95	602,01	568,64	33,37	−28,05
August ,, ..	1,764,85	1,159,94	504,91	577,98	26,93	−5,11
September ,, ..	1,767,40	1,166,93	600.47	576,01	24,46	+2,55
October ,, ..	1,791,02	1,179,19	611,83	579,08	32,75	+23,62
November ,, ..	1,801,96	1,182,56	619,40	591,39	28,01	+10,94
December ,, ..	1,843 23	1,218,99	624,28	597,20	27,08	+41,32
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+29,19
February ,, ..	1,910,42	1,267,42	643,00	610,04	32,96	+37,95
March ,, ..	1,974,71*	1,305,54*	669,17*	599,20*	69,97	+64,29*
April ,, ..	1,998,80*	1,338,96*	659,84*	613,86*	45,98	+24,09*
May ,, ..	1,985,51*	1,334,74*	640,77*	616,65*	24,12	−13,29*

* Provisional.

THE EASTERN ECONOMIST

INDEX OF

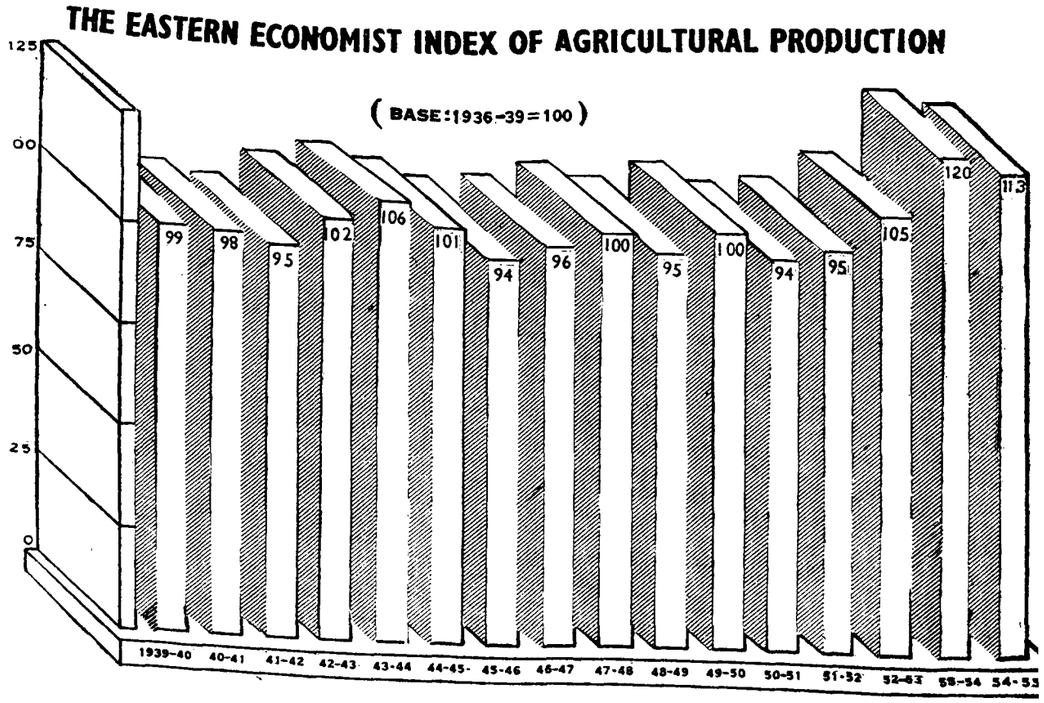
INDIAN AGRICULTURAL PRODUCTION

(Base : Average for 1936-37 to 1938-39=100)

	1939-40	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	(*) 1947-48	(*) 1948-49	(*) 1949-50	(*) 1950-51	(*) 1951-52	(*) 1952-53	* 1953-54
Food Grains ..	**99**	**93**	**103**	**107**	**104**	**95**	**96**	**102**	**96**	**99**	**91**	**91**	**104**	**122**
Rice ..	98	92	99	109	102	96	104	102	98	101	88	90	98	118
Wheat ..	104	91	99	90	97	84	67	77	77	86	87	82	101	106
Millets	99	99	112	111	114	99	99	108	89	99	93	96	111	136
Gram ..	94	86	111	122	103	100	115	143	145	117	115	105	133	146
Fibres ..	**90**	**105**	**78**	**87**	**55**	**56**	**53**	**58**	**53**	**78**	**85**	**100**	**98**	**105**
Cotton ..	89	109	76	89	54	52	51	54	46	65	72	77	77	97
Jute ..	99	82	87	77	62	78	66	83	99	154	164	235	229	156
Oilseeds ..	**106**	**94**	**98**	**104**	**107**	**97**	**100**	**104**	**95**	**106**	**103**	**104**	**100**	**111**
Sesamum ..	96	95	106	102	88	88	81	88	84	108	113	110	113	132
Groundnut ..	101	82	91	125	122	110	114	109	92	107	109	97	92	114
Rape & Mustard	117	113	102	93	111	96	107	169	99	107	101	122	112	112
Linseed ..	106	81	92	86	89	83	77	101	99	97	85	73	83	83
Miscellaneous	**102**	**112**	**117**	**116**	**112**	**124**	**112**	**121**	**121**	**126**	**127**	**126**	**127**	**130**
Sugarcane ..	90	83	100	114	106	102	110	131	109	111	126	136	113	104
Tobacco ..	100	103	86	75	93	97	79	69	75	78	76	61	71	75
Tea ..	105	119	113	135	121	136	147	152	156	158	158	164	162	164
Coffee ..	97	112	102	108	108	159	96	99	139	128	116	130	142	172
General Index	**99**	**95**	**102**	**106**	**101**	**94**	**96**	**100**	**95**	**100**	**94**	**95**	**105**	**120**

(*) Revised.

p-Provisional.



INDUSTRIAL PRODUCTION IN INDIA

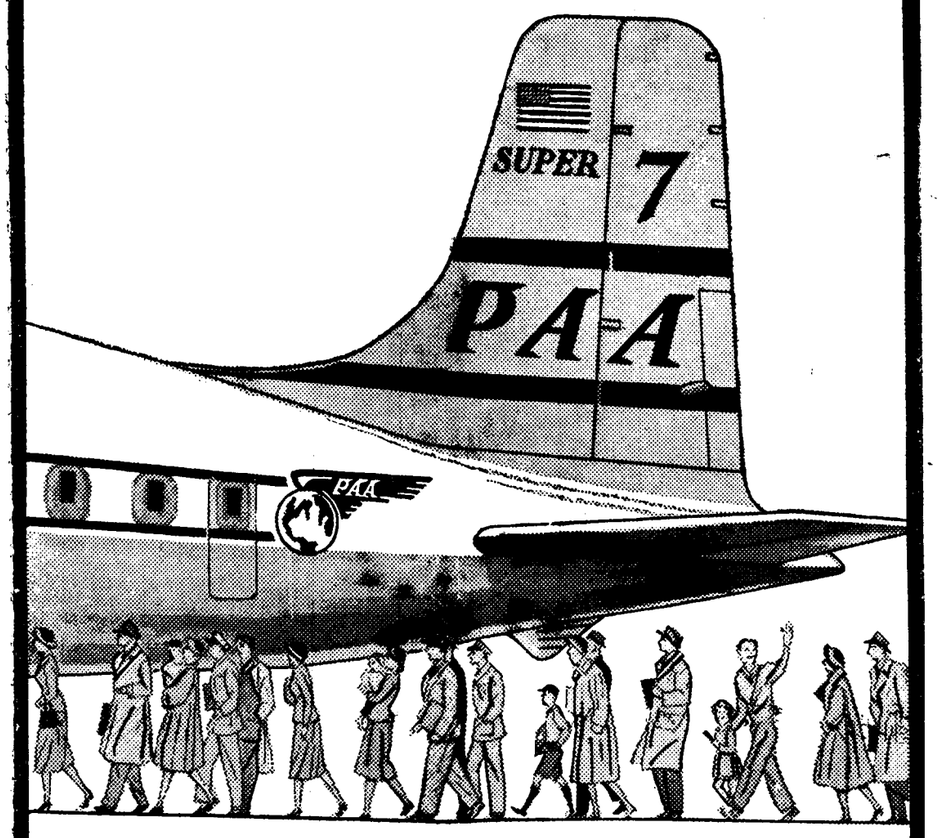
(Monthly averages or calendar months)

Item	Unit	Latest Installed Capacity	1952	1953	1954	1954 November	1954 December	1955 January	1955 February	1955 March
Coal ..	'000 tons	..	3019	2987	3,067	3323	3,503	3,153	3,249	3,304
Sugar ..	,,	113.1	124.5	106.6	90.5	65.4	250.5	332.1	318.3	306.9
Tea ..	Lakh lbs	..	512.1	504.8	53.1	60.8	21.3	8.3	7.7	..
Cigarettes ..	Lakhs	20208	16766	16528	17,195	17400	15770	19,130	16,240	..
Cotton yarn ..	,, lbs	..	1208	1255	1,303	1350	1,430	1350	1,250	1,350
Cotton cloth ..	,, yds	..	3832	4,065	4,167	4210	4,510	4,370	4,020	4,290
Jute ..	'000 tons	..	79.3	72 4	77.3	88.6	94.0	83.9	81.8	88.9
Woollen Manufactures	,, lbs	1667	1382	1,604	1,563	1825	1680	2,027	2,044	..
Plywood ..	,, sq. ft.	12000	7545	5100	6,439	7658	8,452	8,530	9,288	8,612
Paper & Paper Boards	Tons	14475	11459	11642	12,944	15035	16,357	15,802	13,109	..
Sulphuric Acid ..	,,	16435	8007	9091	12,401	12610	13660	13,768	12.120	..
Caustic Soda ..	,,	3471	1422	1909	2,429	2644	2667	2854	2549	..
Soda Ash ..	,,	5100	3694	4739	4,024	3497	5,258	5,948	5,907	..
Chlorine Liquid ..	,,	1529	520	678	815	854	890	929	701	..
Bleaching Powder ..	,,	650	66	162	244	296	202	215	165	..
Bichromates ..	,,	493	122	209	270	317	283	256	239	..
Superphosphates ..	,,	17573	3888	4025	8724	8053	8035	7378	5978	..
Ammonium Suiphate ..	,,	35571	18359	26,635	28,352	29646	35,901	34,295	27,611	35,395
Paints and Varnishes ..	,,	5400	2831	2671	2,926	2860	3,049	3,413	2,616	..
Matches (cases)† ..	Thousand	58.8	51.6	49.2	45.0	48.5	50.1	51.0	49.1	..
Sheet glass (sq.ft.) ..	,,	8440	753.6	1898.9	2759.4	4.803.4	5233.9	4388.8	3,532.6	..
Cement ..	,, tons	370.3	294.8	315.0	366.5	368.5	398.1	376.8	363.7	380.3
Refractories ..	,,	27.5	20.3	19.0	19.4	20.8	21.0	19.9	19.0	..
Pig-Iron ..	,,	185.1	140.4	137.9	149.4	155.1	162.0	155.7	137.9	..
Steel Ingots and Metal for Castings ..	,,	128.5	131.5	125.6	140.4	145.6	152.8	157.4	138.3	..
Aluminium ..	Tons	584.0	297.2	313.2	407.2	465.8	488.4	486.2	461.4	627.5
Copper ..	,,	600.0	506.6	410.0	597.6	630.0	642.0	336.0	605.0	674.0
Lead ..	,,	500.0	94.3	141.2	149.0	200.0	240.0	225.0	162.0	211.3
Hurricane Lanterns ..	Thousand	381.9	293.6	359.4	415.6	433.6	223.3	383.7	343.8	..
Enamel-ware (pieces) ..	,,	2500.0	640.9	790.3	1193.6	1361.9	1247.2	1139.4	2365.7	..
Diesel Engines ..	Nos.	1097	354	310	721	876	1,047	887	732	..
Sewing Machines § ..	,,	3458	4170	5202	6685	7146	8,130	6,428	7,100	8,087
Machine tools (value) ..	'000 Rs.	..	369.8	367.3	417.9	291.5	552.6	479.7	544.6	..
Dry Cells ..	Lakh	184.6	108.5	123.7	123.9	108.5	103.1	103.1	124.9	..
Storage Batteries ..	Thousand	24.7	13.2	14.7	15.7	18.2	20.7	17.4	18.0	..
Electric Motors ..	,, H.P.	16.7	13.1	13.5	15.6	16.2	20.1	17.7	17.9	..
Power transformers ..	'000 K.V.A.	27.3	17.9	25.7	33.2	35.5	42.8	40.3	41.1	..
Electric lamps ..	Thousand	2433.3	1740.0	1647.3	1923.0	2170.5	2198.3	1933.0	1819.8	2063.3
Electric Fans ..	,,	25.3	16.3	16.6	19.7	20.8	24.2	22.3	22.4	..
Bicycles ..	Nos.	36,458	16,413	22,014	31,030	42,113	49,939	29,062	30,548	..

† 50 gross boxes of 60 sticks each.

§ Installed capacity calculated for a single shift working, while one of the two units has been working more than one shift.

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The Eastern Economist

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Red Herrings : Out of Season?

ONE of the consequences of the confused counsels on economic affairs prevailing in New Delhi is the ease with which red herrings can be drawn across the path of planning. There are numerous issues on which those who are either confused themselves or wish to add to the confusion can operate. It is doubtful, however, if there is any issue which is so capable of raising more confusion or emotion of the wrong kind than the place of cottage and household industries in the second Five-Year Plan. At his Press Conference last Tuesday, the Prime Minister not merely raised this red herring on his own account, but also reflected not a little of the current confusion. Strangely, the Prime Minister thought the villains were some economists who were happily left undescribed; he seems to have understood that during his absence certain economists had been presenting the case against the cottage industries. He did not indicate who the economists were, and almost no identification is possible because, as a matter of fact, no economists—good or bad—have attacked the general principle of the development of cottage industries in order to increase employment. What is under question is not this general principle which is universally acceptable, but the specific means suggested for this objective in the Plan-frame.

The problem of cottage and household industries in India would have been charged with emotion even if it had not been tied up with the Gandhian legend which, rightly or wrongly, has held the minds of many persons concerned with India's economic affairs. But much of this emotion is misplaced. There is no doubt that organised industries in India have significantly failed to contribute to employment, although in the last five years they have materially contributed to the rise in real wages in India's organised working population. More specifically, it might be said that while Indian industrial production has risen by something in the region of 50 per cent in the last three years, there is no significant evidence that employment today is greater than it was in 1946 or in 1952. In other words, it is almost certain that Indian organised industries cannot provide any solution to India's present unemployment problem. Since agriculture is admittedly working under excessive population pressure, there is really only one major field in which a solution to the unemployment

problem can be sought. This is in the range of small-scale industries, and, therefore, there cannot be any reasonable doubt that anything which can successfully establish these industries is worthy of support.

What then is wrong with the Mahalanobian teaching on this point? It is a counsel of despair, which argues that our cottage industries can only survive if organised industries are severely restricted. It is on this, and on no other point, that the debate has arisen. Again, it is, by and large, not a debate in which the economists are involved since the issue is largely administrative. The debate proceeds not in the Press, but inside the administration, here in Delhi and in the Cabinets of State Governments. Dr. B. C. Roy's views, and not those of any economists, are now recognised as presenting the antithesis of the Mahalanobian view. As has been pointed out in an article "B. C. Roy versus P. C. Mahalanobis" in *The Eastern Economist* of July 8, the issue is not whether cottage industries ought to be developed but whether they can be made a complete substitute for organised production in larger industries.

There are two broad aspects of this argument which need constantly to be stressed. The first of these is that cottage industries will need to be provided with the productive tools for their tasks. At the present time, largely because inadequate tools are in use, the quality of many cottage industry products is such that they are quite unacceptable to our new mass market. It is not essential that cottage industries should suffer from this disqualification. The Ford Foundation Team on small-scale industries showed the way out of this dilemma and, indeed, in Germany, the United States and Japan these recommendations can be seen in operation on a tremendously successful scale. But whereas in other countries small-scale industries do not demand that large-scale industries should be restricted, in this country, instead of seeking co-operation, there is a persistent fear that large-scale industries will not help, but will, somehow or another, destroy small-scale industries. Even when it is pointed out that as a maker of tools such for example, as lathes, fretwork machines, powerlooms and so on, large-scale industries have a vital interest in developing small-scale industries, the view is constantly held that there is a violent conflict which implies that the survival of one involves necessarily a restriction of the other.

It is this basic falsehood in the Mahalanobian philosophy that summarises the differences existing on this issue. It is not only a production problem. It is also a vital marketing one. Who is to buy the ouput of our cottage and household industries? Prof. Mahalanobis seems to assume that there will be no marketing problems and all that is produced—however inferior in quality—will always be sold. Dr. B. C. Roy has pointed out that to argue that the Indian factory worker who has already acquired a standard of consumption, both in quality and price, which he is not prepared to depress, will fall in with Prof. Mahalanobis' simple assumption is to argue flatly in the face of facts. Again, it is in every country in the world that the large and medium-sized industries provide the main market for small-scale products. This is either directly in the form of products processed for the large-scale industries, or, indirectly, as a result of the derived demand for small-scale products which the incomes distributed by larger industries generate. If, for any reason, the power of medium-scale industries either to make supplies of tools or to provide the income for purchasing the products of cottage industries is injured, cottage and household industries will be seriously hurt.

It is when things are seen in this perspective that the real issue in debate can be resolved. It is fortunate that not all Ministries of the Government of India share the confusion on the Cottage Industries problem which belongs to the Mahalanobis' Plan. Thus it is reported that in the meeting today of the Central Advisory Council of Industries an investment target for the cotton textile industries has been set out which takes full cognizance of assistance which large-scale industries must give to cottage and household industries. The larger part of investment of about Rs. 100 crores in cotton textiles is directed to develop the spinning section, holding cloth production only slightly above the present figure. It is thus proposed to raise the output of cloth from what is called the decentralised textile sector from 1,600 million yards as at present to 2,880 million yards over the next five-year period. This is a splendid illustration of the kind of co-operation between large-scale and small-scale industries which is needed. If the mill industry does not provide the handloom and household powerloom sections with yarn, there will be no means of developing these industries. Prof. Mahalanobis would decentralise both spinning and weaving. The net effect of this would be to raise the cost of yarn, and the price of cloth would become prohibitive. Then the whole scheme for developing textile small industry weaving units would be defeated by limitation of the market. And, illustration such as this multiplied many times will show the weakness of the Mahalanobian thesis at the present time.

There is thus really no reason for controversy or emotion in this matter at the present time. The country has resolved on the expansion of cottage and household industries and this resolution is already being worked in the constructive and practical manner in which it has taken shape in the Ministry of Commerce and Industry. So long as the objective is attained, why are these red herrings being drawn across the path? They are out of season.

Liberty and/or Democracy?

MR. WALTER LIPPMANN'S recent book "The Public Philosophy" which has just made its appearance in India has awakened considerable interest in the Western hemisphere, finding friends and foes in a very short time. This is largely because of the fierce challenge that it presents to the democratic philosophy. It has hitherto been an axiom of that philosophy that democracy, whose method is the expansion of the area of consent freely expressed, must necessarily contribute to individual liberty in the process. The possibility that individual liberty could decline while democracy is extended has never been given the consideration that it obtains in this book. The antithesis between liberty and democracy thus bluntly presented might have been calculated to make every democratic country acutely uncomfortable. If that was Mr. Lippmann's purpose, he has succeeded all too well.

Mr. Lippmann is not a defeatist, although he is by no means an optimist. His conclusion on the conflict between liberty and democracy is best expressed in his own words: "My hope is that both liberty and democracy can be preserved before the one destroys the other. Whether this can be done is the question of our time, what with more than half the world denying and despairing of it. Of one thing we may be sure. If it is to be done at all, we must be uninhibited in our examination of our condition. And since our condition is manifestly connected with grave errors in war and peace that have been committed by democratic governments, we must adopt the habit of thinking as plainly about the sovereign people as we do about the politicians they elect. It will not do to think poorly of the politicians and to talk with bated breath about the voters. No more than the kings before them should the people be hedged with divinity."

What, so far as we in India are concerned, is the lesson to be derived from this provocative book. The source of the trouble in India as everywhere else lies in the fact, that "mass public opinion and legislation subject to popular pressures have come to exercise a dominant and dangerous influence over the executive functions of Government." It cannot be claimed that democratic Governments are the only Governments to be blinded by passion or by extraneous pressure; all Governments, to a greater or less extent, are under pressure. And it has been pointed out more than once in recent discussions of Mr. Lippmann's book that this problem of safeguarding liberty against democracy is as old as Plato, on whom incidentally Mr. Lippmann excessively leans. But whether tainted by excessive Platonic pessimism or by undue optimism in assessing the virtues of other systems, Mr. Lippmann has certainly a point in arguing that democracy has in our time failed conspicuously to extend the area of liberty in most countries of the world. More particularly as Mr. Lippmann says: "The powers which were ceded by the Executive passed through the assemblies which would not exercise them to the mass of the voters who, though unable also to exercise them, passed them on to the party bosses, the agents of pressure groups, and the magnates of the new media of mass communication."

In India at the present time no one need deny that in the name of the people many areas of individual liberty are being blotted out and that the concentration of power is with one party, even if it is not entirely in the hands of party bosses. Here the instrument of concentration is as much in the philosophy of the governing party as in its agents. The suggestion, for example, that because Prohibition is the will of the large majority it should be imposed over the whole country without exception is an example of the democratic ideal being used for the extinction of some individual liberty. Similarly, it may well be that in the process of working a socialistic pattern of society a la Mahalanobis party Government policy will be unduly harsh on individual values. Here the danger is not a shortage of what Mr. Lippmann calls the "public philosophy". This might err in excess as well as in shortage.

And thus Mr. Lippmann's answer is both incomplete in itself and inappropriate in its application to India, at any rate for the present. The "public philosophy", which formed the basis of the convictions of the Founding Fathers, is a solution based upon the particular American historical tradition. That "public philosophy" was conceived as a balance to the doctrine of individual liberty on which the Founding Fathers were reared. But in Eastern countries, which have had no widely accepted individual pholosophy as part of their democratic tradition, undue emphasis on a "public philosophy" may be a remedy worse than the disease. India, like other countries in South-East Asia, needs to face the challenge of the conflict of democracy with liberty in an abruptly different way.

The conflict between democracy and liberty is, nevertheless, real in the Eastern, as well as in the Western, hemisphere. The disease is the same, a lack of balance between individual liberty and the "public philosophy". But the remedies are different. If there is too little interference by public authorities in the West, there may be too much in the East. Who is to apply the remedies in each case?

Gold : A Bad Precedent

IS the Mysore Government's policy of nationalisation of the Kolar Gold Mines the result of a well-thought-out economic plan, or of political expediency, or of the frustration born of the State's failure to enrich its coffers from the 1949 agreement between the lessees and the Government? The State's Minister for Industries, Mr. H. Siddaveerappa, has been frank enough to admit that, while the State Government expected to receive an annual royalty of some Rs. 30 lakhs, it had not got "even 30 coppers so far". This seems to be the key to the whole controversy, but who is really at fault for this adverse turn in the deal? In terms of the agreement, the companies were to pay the Government a "contribution", in lieu of the then existing gold duty, of 70 to 75 per cent of the "net surplus", in addition to royalty. Since the agreement was signed six years ago, there has been a steady fall in the value of gold—a decline of as much as 18 per cent. Further, there has been a continuous rise in production costs.

These two factors have inevitably hit not only the contributions due to the Government but also the dividends to shareholders. For this untoward development, no hue and cry has been raised by the shareholders but the State Government has unfortunately chosen to do so. Having thrown the blame on the companies, the findings of the subsequent inquiry committee—the representative character of which was questioned by the industry—were a foregone conclusion. Accordingly, it is not surprising that the Committee has tried to play down the real factors which have reduced the contributions from the companies, and has harped on the thesis that the shareholders have received in return many times the amounts of the investment.

Instead of facing squarely the realities of the situation, the State Government has been exhibiting a strange sense of frustration. Stating that the Government wants the companies, in the first place, to agree to the payment of an enhanced 10 per cent royalty to secure a "reasonable return" to the State from the industry, Mr. Siddaveerappa has threatened that "if the mining companies do not see their way, there is no alternative but to nationalise....We do not want to take any hasty step but we are certain that the present agreement must be scrapped as early as

possible." Does this mean that the Government has not yet finally decided on nationalisation? The Minister is peeved at the absence of response so far from the companies to his new demands.

If the Government is determined to nationalise the concerns nothing can prevent it from doing so, after paying adequate compensation. But then it would have hardly convinced the interests concerned of the equity of its action. The management of the mining companies, on its part, has made it perfectly clear that the nationalisation of the mines is not a matter for the assent of the management and that this assent has not been given. It has only agreed to continue the development and expansion activities of the mines in the normal way and to co-operate with the Government in dealing with problems that may arise.

The present trouble might not have arisen but for the wayward course in the price of gold since 1949 which has deprived the State of a reasonable revenue from the working of the agreement. The average price of gold, which was as much as Rs. 114-15 per tola in 1949, slumped to Rs. 86-2 in 1953 and fell further to Rs. 83-7 in January 1954. Although output had been increased to the utmost capacity of the mines, the precipitous fall in the price—with no compensating fall in working costs—reduced the profits so much that the permitted amount of 15 per cent of costs became available only in small part for setting aside towards depreciation and development expenditure, while there was no surplus on which to pay contribution to the State Government, and only meagre dividends were paid to shareholders. Since then, however, the market rate has been fluctuating with an upward tendency. By the end of 1954, the price had gone up to Rs. 87-9 and, since then, the upward trend has been maintained almost throughout with the result that in June this year the level was as much as Rs. 94-1. There is nothing to indicate a possible reversal of this trend.

A compromise formula may be possible which will satisfy the contending parties. If the royalty can be linked to the price of gold, the Government will continue to receive a reasonable share of the surplus profit even when the price of gold follows a downtrend. A workable arrangement of this kind may, thus, be tried which will avoid the need for nationalisation until the expiry of the present agreement in 1970. Such avoidance is desirable at least to assure business interests in India and abroad that the Government of India really means what it says that it is primarily interested in expanding the public sector and not in substituting its own ownership in place of the existing private owners. In an industry which suffers from increasing costs in entering deeper layers, there is no assurance that the public sector can operate to greater advantage and get by direct operation what it now demands from the Company.

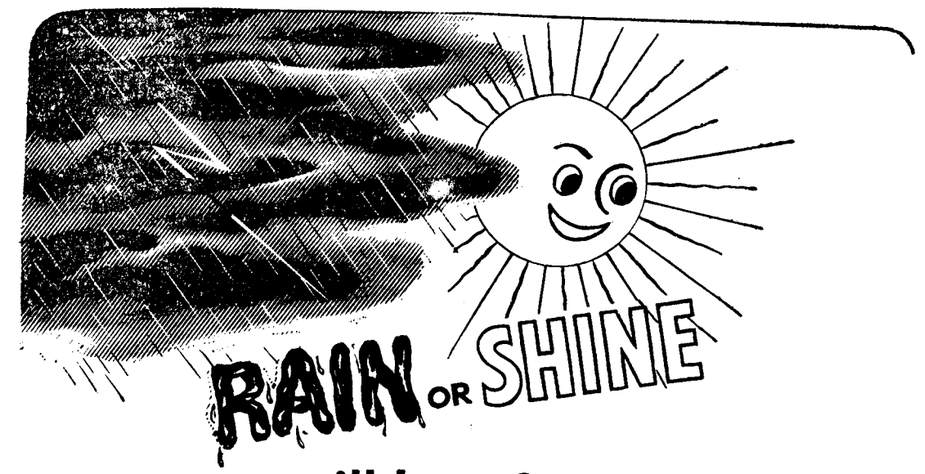
Oil: A Good Precedent

JUST as gold furnishes a bad precedent for the relation between the public and the private sectors in India, oil, it seems, will furnish a good and happy one. On Wednesday, July 20, it was announced by the Chief Minister of Assam, Mr. Bishnuram Mehdi, and the Union Minister for Natural Resources, Mr. K. D. Malaviya, that a new agreement had been reached with the Assam Oil Company providing for a new pattern of co-operation in the oil exploration industry. For the present it is unnecessary to look with undue curiosity at the terms of this agreement by which the co-operation of the private sector has been secured in a great enterprise. It is important to note the spirit in which this agreement has been concluded which is resoundingly different from the manner in which the Kolar Gold Mines Companies have been forced into submission. Nobody should object to voluntary agreements of this kind which extend the sphere of the public sector with the full consent and active co-operation of private elements in the industry.

Not, indeed, that the private sector has in the oil negotiations had, by any means, its own way. Under the new pattern illustrated in the present agreement the original period of the mining lease has been reduced from thirty to twenty years with an option only to the Government to extend the period by another twenty years. This has taken the place of the old petroleum concession which was for thirty years and gave the lessee an opportunity to extend the period by another thirty years making virtually sixty years in all. Again, the share of the Central or State Government is now to be a third of the capital of a new rupee company which is floated so that the Government has also advanced its holding compared with its 25 per cent share in the operations of the Indo-Stanvac Company in West Bengal. Again, a clause in the agreement ensures what is described as "the maximum employment of Indian personnel at all stages of the organisation" with an undertaking not to recruit any foreigner for a task for which a suitable Indian is available.

Not only has the spirit behind the negotiations been accommodating on both sides. It clearly has a forward-looking purpose. Mr. Malaviya made it clear that there was no desire on the part of the Government of India to discourage foreign interests in the tasks of mineral production. The Central Government, he said, was quite prepared to examine any proposals of foreign companies for prospecting in other areas, and, indeed, a dozen applications are already before the Government.

The idea that there was some unbridgeable gap between the "capitalistic" view and the new "socialistic" pattern of society has been thus falsified. It is seen by chapter and verse in this case that a large oil company is quite willing to assist the public sector under conditions which will provide in time for its progressive elimination. This is not a unique instance. Students of the economic history of the U.S.S.R. know that private interests have been quite willing to work even with Communist Governments. It is good that one should remember that this co-operation has been made available on terms which Capitalist-hating countries have not deemed unfair. It is interesting to see if the current prejudice against foreign collaboration will be subdued by these new illustrations of the capacity of believers in a private enterprise system to accept and co-operate in the working of an unpalatable system, if moderately reasonable conditions of return were provided. The belief is all too common in India that the terms of co-operation with Communist countries are necessarily more favourable than those with Capitalist countries. This is by no means the case; it is doubtful if the U.S.S.R. would accept the terms which the Assam Oil Company has gladly accepted.



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THE WEEK'S NOTES

AT GENEVA

ON THE hallowed principle that well begun is half done, the Geneva Four-Power meeting may be said to have fulfilled already half the hopes of the world. The cordiality among the leaders has exceeded all expectations and the agreement on the agenda has been quick. All these hopeful features vindicate the faith of those who have all along urged such high-level talks but it has to be remembered that it is not the mere fact of the meeting that has promoted this degree of cordiality. The particular point in the time-sequence of the cold war at which the meeting is being held has been responsible for the leaders approaching their problems with a new determination, avoiding all the acrimony of the earlier phase of their relations. The agenda—German unification, European security, disarmament and East-West relations—does not include Asian maladies, for which, as Mr. Nehru has pointed, another conference, with China included, would be necessary. Geneva must first succeed in infusing new hopes before these further plans can be made and it is heartening to hear that the Conference is now well-set for such hopes to materialise. If an atmosphere of mutual trust is created among the leaders, all other obstacles—political, military, legal and economic—can be removed in a short time.

Sir Anthony Eden has proposed a series of possible guarantees to ensure that the unification of Germany in freedom, and the freedom of a United Germany to associate if she so chooses with the West, should not involve a threat to the Soviet Union. These proposals include a demilitarised zone, limitation on forces and supervision of armaments and a security pact in which the victim of aggression would be assisted by the others. These are not hard and fast proposals and their merit to the Russians must lie in the recognition accorded to Russian fears about her security if Germany grows stronger. President Eisenhower has reiterated this desire to take account of the legitimate security interests of the Soviet Union but at the same time he has been candid about the fears generated elsewhere in the world by the conditions in Eastern Europe and by the activities of international Communism. There is enough in the opening declarations at Geneva that a new spirit has been injected into international diplomacy. There is frankness without bitterness and this should help break the vicious spiral of suspicion of bona fides which has obstructed all progress till now.

POLITICAL MOVES IN PAKISTAN

THE DISMISSAL of the North-West Frontier Province Ministry as a result of the Chief Minister, Sardar Rashid's attitude to the one-unit scheme for West Pakistan, once again illustrates not so much the determination of the leaders of Pakistan to push the scheme through at all costs as the growing opposition to it outside West Punjab. Khan Abdul Ghaffar Khan's entry into his home province has been marked by considerable popular enthusiasm and he has not been slow to declare that the Pakhtoons should be governed by the Pakhtoons themselves. His influence will in all likelihood increase. Sardar Rashid having committed the inexcusable offence of refusing to take responsibility for keeping Khan Abdul Ghaffar Khan out of the Province and of making a public declaration to that effect in the Constituent Assembly at Murree, will have to go into the opposition. It is not known to what extent his successor or Dr. Khan Sahib will succeed in counteracting these influences in order to sell the one-unit scheme to the Pathans. Even the Muslim League Council of the Province has demanded full autonomy under the one-unit scheme, which is a contradiction in terms. The truth is that there is distrust everywhere of Punjabi influence in the one-unit Government and it is a moot point whether unity can result from such distrust.

These developments must open the eyes of the Pakistani leaders to the difficulties of imposing unity from above. Every step taken in that direction has involved repudiation of faith in the democratic principle because of summary dismissals of Ministers. It gravely impairs Pakistan's case when it demands self-determination for the people of Kashmir. In Sind, the N.-W. F. Province and in East Pakistan,there have been summary rejections of public opinion whenever it was critical of the Central Government. The democratic process has not been smoothsailing in Pakistan and its leaders have in the last few years had to resort to many questionable constitutional practices to maintain a semblance of political stability. It ill becomes the leaders of Pakistan, therefore, to criticise India for not playing the game on Kashmir since they will not be able to give the people there what they have not been able to give to their own citizens, namely local governments of their own choice.

The Pakistan Constituent Assembly has now adjourned to meet at Karachi next month and the interval may prove to be a period of intense political manoeuvre. It is now openly known that Mr. H. S. Suhrawardy wishes to displace the Prime Minister because he cannot forgive him for his sudden and unexpected alliance with Mr. Fazlul Huq. But if the latter is antagonised in the process the stability of the newly-installed Ministry in East Pakistan may be in jeopardy. Altogether, politics in Pakistan is now in a confusing state, and has left the Government less and less competent to deal with the many problems that arise.

ECONOMICS OF GERMAN REARMAMENT

WESTERN GERMANY'S prosperity boom in the first half of this year points to some of the problems which will have to be faced in future, if she decides to rearm. German labour reserve has been nearly exhausted even now as a result of the expansion of the economy and the unemployment figure is only about 450,000, mostly women. So there are proposals to attract more women into industry. The position is similar to that of Britain in the approach to full employment and it is reported that there are no signs at the present time of this expansion losing momentum, because order books are full and delivery dates are still long. Orders received by German industry are still in excess of the orders executed; Siemens engineering industry has a backlog of over a year. Steel production is now running at an annual rate of 20 million tons; output of cars and vehicles has increased by about one-third over the first half of last year. Exports have increased and German gold and dollar reserves have risen by about 1,600 million marks in the last twelve months.

The strains of full employment are becoming felt in the migration of labour to better-paid jobs and in new wage demands. The wages of nearly three million workers have already been increased in the first half of the year and further demands from the rest are expected. If the burden of rearmament should be imposed on this situation, it is bound to have reactions over the whole of the economy which is now geared to an expanding export market. Whereas rearmament under Hitler was possible in the context of six million unemployed and much unused capacity in industry, it

cannot now be an easy process. With further expansion of East-West trade in the changed political climate of Europe, Germany may well lack the zest to embark on arms while peace continues to be paying well enough.

THE LIBRARY AND THE LAW

IT IS very unfortunate that a controversy should at all arise over the disposition of the India Office Library and still worse that it should defy the efforts made by the Education Minister towards an amicable settlement. It has been reported that the legal position stood in the way of a solution, but so far as one can see, the only legal maxim that can support the British stand is that possession is nine points of the law. What the British Government came to have, it feels it should own; otherwise it is hardly conceivable that the records, manuscripts and books which were maintained at India's expense all along until recently could have become inalienable acquisitions of the British Government. The raison d'etre of the Library was British rule over India and any successor Government should similarly have a right of use of those facilities, unless it could be proved that any part of these are strictly not necessary for the successors. If they are of exclusive or predominant interest for the British historian, suitable arrangements cannot be beyond the ingenuity of the two Governments.

But this is a matter to be settled only by detailed negotiations, not one on which there can be an assertion of a prescriptive right. It is possible that the Government of India would find it advisable to keep a part of these records in the India Office under its own control for the benefit of research workers. But there can be no moral or legal justification for acting as though Indian historians and the Indian Government should not have the control and free use of documents which pertain to this country's past for the purpose of reconstructing that past in her own way.

Lord Home has now displayed an acquisitive outlook, on an issue in which it was hardly appropriate, and at a time when mere title to property without justifiable public function attached, no longer confers privilege. It may be that even such trivial matters will gradually become issues to be discussed at the "summit", in view of the current popularity of this ordinary word.

AFTERMATH OF THE AKALI MORCHA

THE AFTERMATH of the withdrawal of the ban on slogans by the Punjab Government has been entirely satisfactory. The Akali Dal has not committed the mistake of persisting in an agitation which has pointed out to them the dangers of opposition as much as the strength it can muster when it works on a plausibly good cause. The Maha Punjab counter-agitation has also gained strength, which, perhaps, did not enter fully into the Akali Dal's original calculations. If the Punjab Government had merely allowed the banning order to lapse in the ordinary course, the Akalis would have had less reason for satisfaction. As it is, the Punjab Chief Minister has taken responsibility for a good gesture of compromise and the Dal can rest on its laurels because it has now achieved greater importance than it had expected. It is unlikely that the pro-Akali Sikhs were ever hopeful of securing a Punjabi Suba on the lines they had demanded and the Maha Punjab agitation must serve to warn them that one type of communalism will breed its opposite to the detriment of all the communities concerned. They may, however, hope that at local levels, there will be greater accommodation among the various groups.

The statement of the acting President of the Shromani Akali Dal, Sardar Bahadur Singh, that the Akalis would accept Mr. Nehru's decision "regarding Sikh grievances and the creation of the Punjabi-speaking State" comes as an anti-climax. Its importance lies in the craving for the recognition of the Dal at higher levels as a political force to be reconciled, if not to contend with. Obviously its leaders feel they have now earned the right to such recognition. But their methods were hardly such as to induce Mr. Nehru to accept them. It may be expedient, however, not to create further room for the feeling that Sikh demands will not get proper consideration; for it can be cleverly manipulated by irresponsible leaders. Meanwhile, all other agitations which were the by-products of the Akali Morcha must cease and the Akalis must give assurances that they will not abuse the sanctity accorded to religious places by carrying on their political agitation within their precincts.

CHINA NEWS ANALYSIS
WEEKLY STUDY OF COMMUNIST CHINA

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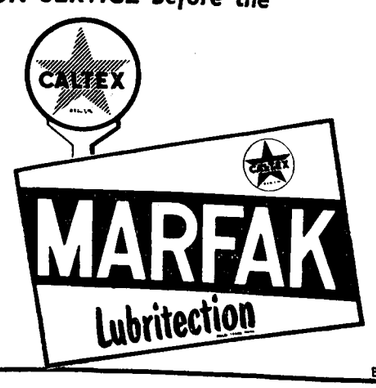
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A Window on the World

THE DETERMINIST GOSPEL

By

ODYSSEUS

SOME OF YOU may (or may not) remember that in March, 1954, I published a series of articles here entitled "Freud's Challenge to Philosophy", in the course of which I said that Freud's theories on psychology launched simultaneously one of the biggest scientific advances and one of the worst philosophic setbacks that the world has experienced since Darwin caught the philosophers of the nineteenth century out of step with his theory of evolution. My theme was that the Freudians had applied theories which satisfactorily explained abnormal psychological symptoms to explain away ethics, with such apparent success that the average educated man today thinks that nobody can be held morally responsible for actions that used to be praised as "good" or blamed as "bad" because he believes that all the conscious faculties of men are beyond their control, deep in the unconscious. Courage, for example, is merely sublimated masochism; conscience but a sublimated feeling of guilt derived from memories of parental scoldings.

It is always pleasant for a minor scribe to find his views upheld by a major prophet. I refer to a challenging little book of 78 pages, entitled, somewhat forbiddingly, "Historical Inevitability", published at 6/- by the Oxford University Press, written by Isaiah Berlin, who is one of the most distinguished of the younger contemporary British philosophers.

I used to see something of Isaiah Berlin in Washington D.C. during the war, when he used to prepare for the Commonwealth authorities a weekly survey of that baffling phenomenon: American public opinion. This survey was an astonishing piece of observation and analysis, expressed with the wit expected, and a charity less usual, in a Fellow of All Souls, Oxford. All those who received Mr. Berlin's survey read it with relish, and returned to their tasks feeling that at last they understood the incomprehensible. Isaiah Berlin's readers included Winston Churchill and myself. I enjoyed one advantage over Churchill in that I had only to pick up my telephone to get a scintillating elaboration of any point that interested me. Churchill, as impressed with Mr. Berlin as I was, was anxious to meet him, so that when, one day, he heard that Mr. I. Berlin was in London, he told his secretary to invite him to 10, Downing Street at once. The ensuing effort of the two men to understand what was going on in each other's formidable minds is said to have led each to doubt the sanity of the other, for whereas Winston was Churchill all right, the Mr. Berlin who had been brought before him was not Isaiah, philosopher, but Irving, the popular song writer, composer of such memorable ditties as "When I Lost you," and "You Forgot to Remember". I would like to have been present at that remarkable interview.

However, what I set out to say was that Mr. (Isaiah) Berlin's new book is a successful effort to rebut two powerful doctrines, Relativism and Determinism, which have for too long been at large spreading fallacies in contemporary thought, and doing great damage to the minds of ordinary citizens like you and me, who are too busy earning our livings to have leisure to check up on ideas which seem plausible and are taken for granted by every third person one meets.

Last March, I submitted arguments upholding the freedom of the individual to choose between good and evil. What makes it more important than ever to establish the truth of this proposition is the wide prevalence of the Marxist Determinist view, which lays down that men are not each unique, entitled to the freedom and respect due to individuals, but, like the animals, vegetables, and minerals, belong to classes which obey general laws, and that once these laws have been applied (as in the U.S.S.R.) this produces universal felicity (as in the U.S.S.R.?). This conviction is not peculiar to Marxists but is echoed by many planners, technocrats, bureaucrats, and believers in a scientifically planned and controlled society.

THE RED DAWN

Hegel, and after him Marx, were among the pessimistic Determinists. They assumed that men are part of a wider nature which Hegel regarded as spiritual and Marx as materialist. Both thought that social forces are at work of which only a handful of exceptional individuals ever become aware. Ordinary men, they asserted, do not know what shapes their lives, but invent childish theologies and mythologies to explain the world to themselves. From time to time the real forces, impersonal and irresistible, which govern the world, develop to a point at which a new historical "advance" is "due". These advances occur in violent cataclysmic leaps, destructive revolutions that establish a new order on the ruins of the old. Hegel saw History as a perpetual struggle of vast spiritual forces embodied now in institutions—churches, civilisations, empires, states—now in individuals of heroic stature, towering over and contemptuous of their puny fellowmen. Marx saw the struggle as between socially conditioned classes—capitalists and reactionaries, and the proletariat shaped by the fight for subsistence and consequently for the control of power.

"There is," remarks Mr. Berlin, "a note....of sardonic gloating in the words of both these thinkers as they contemplate the discomfiture and destruction of the philistines, the ordinary men and women caught in one of these decisive moments of history." Both conjure up an image of peaceful and foolish human beings, largely unaware of their part in history, building their homes, with touching hope and simplicity, upon the green slopes of what seems a peaceful mountain side, trusting in the permanence of their own economic, social, and political order, unaware of the cosmic processes of which their lives are but a passing stage. But the mountain is a volcano and when (as, of course, the philosopher always knew it would) the inevitable eruption comes, they and their homes and their elaborately tended institutions, their ideals and values, will be blown out of existence in the cataclysm which marks the leap from a "lower" to a "higher" stage. To be wise, in the Marxist view, is to understand the direction in which the world is "inexorably" moving and to jump on the band waggon—to resist, to think one knows better, is useless, infantile, fatal. Salvation lies in identifying oneself with the rising power that is ushering in the new world.

WHEN HISTORY "DOES HER STUFF"

When History takes her revenge (and Marx looked to History to avenge him against those he hated) the

"mean, pathetic, ludicrous, stiffling ant hill will be justly pulverised"—justly (and this is the point towards which we have been working) because what is just and unjust is determined not by the moral choices of the individual but by the impersonal goal towards which all creation is moving. Woe to the conquered! whoever is on the side of the victors is by that very fact just, wise, and rational, and whoever is on the side of a society that is foreordained to destruction is, for that very reason, foolish, ignorant, subjective, reactionary, blind; and if the fools try to resist their doom, they are rightly anathematised as wickedly hostile to the welfare of mankind.

To the diligent frequenter of this column who has seen these fallacies refuted on many a hard fought weekend, a dozen objections to Marx's picture will occur. Nevertheless, we must concede that to millions, the Marxist gospel seems inspiring, heartening, consoling. It is easy to see why. It relieves its adherents of the burden of personal responsibility. When Mussolini learnt that the British and Americans had landed at Anzio, he might have been overtaken by remorse for the series of disasters that his childish imperialist ambitions had inflicted on millions of his innocent fellow countrymen. But the Determinist philosophy that is at the back of all totalitarian systems of the Right as of the Left enabled him to hide from his own soul behind a grandiose dusk-of-the-gods smoke screen. "History," he cried "has seized us by the throat!" It was jolly decent of History thus to step down from Olympus at the right moment to pronounce her Awful Decree because she thereby allowed Mussolini to camouflage his errors and failures in the black and purple hues of high tragedy, and relieve himself of any personal responsibility for his doom. "History is wiser than we, and its purposes are unfathomable to us", says Mr. Berlin ironically. How inspiring it is to feel that we are but the instruments of some vast all-embracing scheme of eternal human progress, of Manifest Destiny or the Dictatorship of the Proletariat. Any moral censure, the accusing finger of historians, or the agonies of the individual conscience, are explained away as sophisticated versions of primitive taboos, now manifesting themselves as moral consciousness, growing out of that ignorance which alone generates those "fallacious beliefs" in Free Will that will be eclipsed by the growing Revelation of Scientific Truth.

No sooner do we acquire the Determinist's insight into the "inevitable" workings of fate than our sense of guilt is automatically dissolved; the fear of failure vanishes as we see ourselves as members of a "larger whole". We are soldiers in an army; our goals are set for us. We do not have to think or fend for ourselves. All doubts are stilled by Authority.

This is a formidable religion, a faith of a kind for which many will be ready to die with a cheer in their throats. It can nevertheless be shown to be the false religion of a false god. The logical objections to it have often been set forth in this column. Next week, however, I will outline one or two of Mr. Isaiah Berlin's new and most original refutations, the like of which, in fairly widespread reading on the subject, I have not come across elsewhere, and which, as far as I know, have not even been touched upon by that prolific writer, Mr. Irving Berlin.

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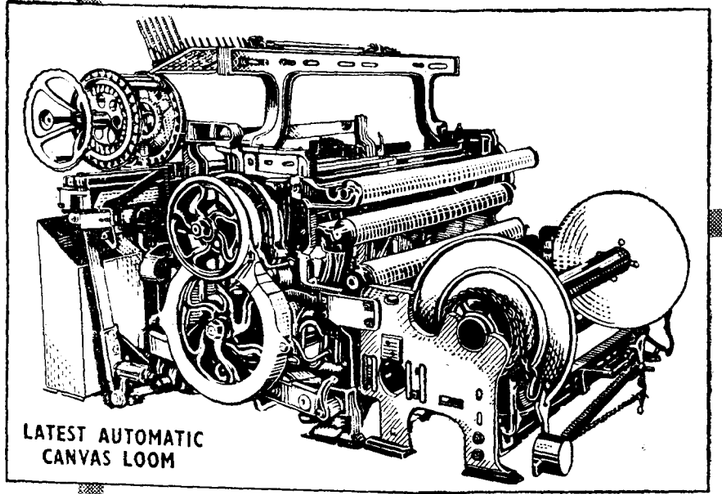
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A DELHI DIARY

HIS FINEST HOUR

I LIKE to think of this last week as containing the Prime Minister's finest hour. There is no doubt that all over India all this week the spotlight has been on the Prime Minister. It has been full of affection, abundant and overflowing. Those who saw the film describing his experiences in the U.S.S.R. might even make a comparison in their own minds of the extent to which Indian enthusiasm has surpassed that in the U.S.S.R. It has been wonderful to behold what happened in the U.S.S.R. There has been in all Delhi cinemas, where it has been shown, great enthusiasm although there were many technical aspects of the picture which might have been considerably improved. I pay the Films Division tribute, however, for the manner in which the spontaneous character of the tour has been faithfully recorded. It has also been good to find that it has been so effectively exhibited all over India this week bringing the Prime Minister close to the people whose popular hero he, now more than ever, is.

It was appropriate that the Head of the State should draw special attention to the services which the Prime Minister has rendered to India. There never has been a time in all India's history where a single individual has been able to add by his personal acts so much to the prestige of the country in so large an area of the world. There was a note of pride in the President's Speech on the occasion. He spoke of "the avidity and eagerness with which we have looked forward to the news of the splendid welcome which has been extended to Jawaharlal Nehru by the Governments and peoples of the various countries which he visited." He went on to say: "We are an ancient country but a very young Republic, and it is a matter of gratification to know how its activities and policy for the establishment and maintenance of peace are being appreciated and how they have raised our honour and prestige." It was a happy speech to which the Prime Minister happily responded, though moved all the time with deep emotion.

While I think the conferring of a decoration was appropriate on this occasion (although I still maintain that all decorations are still contrary to the spirit of the Indian Constitution!), I cannot say that I am happy about the particular decoration given in this case. I mean no disrespect to those eminent persons to whom the Bharat Ratna has already been given. But I think they will be the first to admit that the Prime Minister's contribution to the prestige and honour of India belongs to a different class. Even if it were necessary to maintain the existing class it might have been possible to give the decoration a new name so that everyone would know the quite unique appreciation which was accorded to Jawaharlal Nehru.

The physical strain of the elaborate programme arranged in many countries (made no easier by the vast number of new faces and minds to be remembered) has certainly worn the Prime Minister down. At his Press Conference last Tuesday he had two additional handicaps with which to wrestle. The first was a comparatively sleepless night as he was at the airport till 4 p.m. conversing with President Soekarno who was on his way to Mecca. He also contracted a cold which obviously had a depressing effect on the Press Conference. The Prime Minister chose his words carefully and there was information enough to be found but I did have the feeling that Room No. 63 was duller on this occasion than it had ever been at a previous Press Conference.

ROOM NO. 63!

It may be that part of the fault is with Room No. 63. I cannot for the life of me understand why vast sums are being spent elsewhere while this central room in Parliament House should continue to be so neglected. There are indeed marks of air-conditioning. But, at any rate last Tuesday, air-conditioning was conspicuous by its absence. Again, I cannot understand who chose the heavy velvet curtains designed to make this room the gloomiest of all rooms in this imposing building. The dark wooden panelling combined with heavy curtains produces an atmosphere of gloom which it must be difficult to surpass. The pictures chosen to adorn this room have good subjects, namely, some of India's great architectural monuments. But why are they of the wrong size and why do they hang at different levels? I do hope sincerely that someone responsible for this unhappy room will go speedily to its rescue.

I blame the Prime Minister's Press Conference, which was not very exciting so far as I was concerned, on a late night, a bad cold and Room No. 63. I had a feeling shared by many journalists that questions were slow in coming forth and that when they came forth they did not show India's accredited Press representatives in their happiest form. Again, I had a feeling that the Prime Minister was somewhat easily displeased by the questions asked. One particular question in regard to the Anglo-Portuguese Treaty was, I know, provocative. A Press Conference is after all meant to be the freest of all assemblies. Can one have a free assembly of this kind without some possible provocation?

I make a complaint against my kind not so much in terms of factual omissions in reporting (as in the European tour) but in terms of perspective. The whole daily press seemed to have found in the Prime Minister's outburst on Goa almost the sole point of interest in the Conference which touched on at least twenty other important points. And while the Prime Minister's statement was directed against some British papers, I doubt if his resentment carried over to any particular Government, except that of Portugal. At least I did not think so. Was it not bad perspective therefore to pillory the "Atlantic" Powers—undefined—in banner headlines? Again, on this particular issue, although there was firm language there was no new policy declaration. And, if there is no policy declaration, was the mere fact that the Prime Minister was particularly upset at the behaviour of the Press abroad, a matter to receive the overwrought attention which was given in the newspapers on the following day?

THE RETREAT!

I know I am rushing in where angels fear to tread. I shall be told that it is an ill bird that fowls its own nest. In any case, trade unionism is now popular and I must behave as a good member of the Federation of Working Journalists. I, therefore, now very humbly withdraw!

ARGUS.

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NOTICE is hereby given that an Extraordinary General Meeting of the members of the above-named Company will be held at the Principal Office of the Company, 8, Royal Exchange Place, Calcutta, on Thursday, the 11th August, 1955, at 3-30 P.M. in the afternoon to consider and if thought fit to pass with or without modification the following resolutions, viz:

Ordinary Resolution:

(1) That the Authorised Capital of the Company be increased to Rs. 4,00,00,000 by the creation of 8,00,000 new Ordinary shares of Rs 10 each and 1,75,000 new second Preference shares of Rs. 100 each with powers to Directors to issue such 1,75,000 new second Preference shares with such preferential or special rights, privileges or conditions attached thereto as they may decide.

Special Resolution:

(2) That clause 3 of the Memorandum of Association of the Company be amended so as to include two new sub-clauses 2A and 2B as detailed below:

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"2B. To carry on, in all its branches, the business of producers, manufacturers, purchasers, importers, exporters, sellers and dealers in all kinds of synthetic fibre including all types of fibrous material and all materials analogous thereto or connected therewith and to purchase and vend all materials raw, processed or otherwise and all articles in any way connected with the aforesaid business."

The Share Transfer Books of the Company will remain closed from 1st August to 11th August, 1955, both days inclusive.

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"The Eastern Economist"

BLUE SUPPLEMENTS

A NEW FEATURE

With effect from this month 'The Eastern Economist' will publish in the last issue of each month a *Special Supplement* dealing comprehensively with a large topical economic issue.

The first such *Supplement* will be published on July the 29th and will contain a discussion of *Company Law* with special reference to the proposed *Companies Bill.*

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For further information, write to:

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WORLDGRAM

ICULTURE

'akistan's Wheat Policy: The objectives of the tan Government's wheat policy are to have at mes a reserve of 500,000 tons of wheat and to e further the price of wheat, which now is 8-12 per maund (1maund = 82 pounds). The new t year would begin with a reserve of 225,000 tons, ı is 50 per cent less than in the previous year ; to an insufficient crop last season. The Gov- ent, Plans to step up its wheat procurement in iew season to satisfy domestic demand and to e the reserve to the minimum required.

*

aly's Agricultural Production in 1954: Agricul- yields, in 1954, were only 6.3 per cent below the igure. Owing to rising prices, in 1954, the sale of the year's crops totalled 2,912,000 million lire t 2,954,000 million in 1953 (—1.4 per cent). In 4, the consumption of fertilizers rose by 14.6 ent over the 1952 total, the respective figures ed being 3,246,000 metric tons used in the latter , as gainst 2,831,700 tons in 1952-53.

*

anese Paddy Method in Nasik District: One thou- additional acres of land would be brought under by adopting the Japanese method of cultivation esult of the intensive propaganada made by the District Development Board in the rice growing f Igatpuri, Peint, Nasik, Dindori, Kalwan, Chandor iphad talukas and Surgana Mahal. Meetings rganised in June, in centrally situated 15 villages verywhere cultivators showed keen interest in panese method.

TRY

rtilizer Factory in Pakistan: A fertilizer factory Rs. 6.35 crores for the production of 50,000 ammonium sulphate per annum is being set up OC at Dandhel. Railway siding facilities have been provided for the transport of heavy ient to the factory site. The equipment and ery for the factory is arriving according to the nme. The factory is expected to be in opera- the middle of 1956. FAO has agreed to contri- 0.5 million towards the cost of the plant, while investment is estimated at Rs. 2.35 crores.

*

w Jute Works for Pakistan: The Dundee and engineering firms in U.K. have obtained a tial share of machinery orders for new jute hments in Pakistan and Turkey. The Dundee ill supply the looms and ancillary machinery, he preparing and spinning machinery will be l by James Malkie and Sons, Belfast. The f the contract is not yet known. The Pakistan will be called the Platinum Jubilee Jute Mills. ill be at Khulna and will have 750 looms. The Works, Government sponsored, will have 500

*

put of Coal During May, 1955: The output of collieries in India decreased to 3,175,335 tons 1955 from 3,230,006 tons in the previous month, g to official statistics released by the Chief r of Mines. Despatches of coal, however, d to 2,743,546 tons in May as against 2,692,508 April. Coal stocks at pitheads increased from tons at the beginning of the month to tons at the close of the month.

Electrical Wiring Accessories: Two draft standards have been issued by ISI for electrical wiring accessories. The drafts now issued prescribe standard dimensions of the respective accessories, minimum insulation resistance which will ensure safety from electrical hazards, and a number of tests to determine electrical and mechanical performances including expectations of life and ability to withstand a higher voltage than the supply voltage. The drafts also describe a number of gauges which can check the interchangeability of these accessories.

*

Production of Ammonium Sulphate in Japan: Japan will produce an estimated 2,711,000 tons of ammonium sulphate fertilizer during the 1955 fertilizer year (August to July, 1956), according to the Government's latest production Plan. Of the total estimate 611,000 tons will be set aside for export and the remaining for home consumption, including 160,000 tons to be specially reserved for adjustment of demand and supply during the period. The total output estimated for the 1955 year will be 201,000 tons more than the revised production figure for the 1954 period.

*

Continuance of Protection to Industries: The Tariff Commission has taken up for summary investigation the question of continuance of protection to the following four industries beyond December 31, 1955. Coated abrasives, Motor vehicle batteries, Automobile sparking plugs and power and distribution transformers. In this connection, the Commission has prepared special questionnaires for producers, importers and consumers in the case of each of these industries and they are ready for issue.

*

Steel Factory in Thailand: Government surveyors in Thailand have found extensive iron deposits of high quality in Umkrum mountain, 50 miles north of Kanchanaburi, and a Plan to open a smeltry has been outlined. Foreign firms are invited to exploit the deposits either alone or in the co-operation with the Government. The smeltry would produce not less than 100 tons of steel a day. Preliminary work will be undertaken by the Government to provide details on converting the ore into finished products and to provide information regarding a site for the factory, the rate of delivery, and the amount of capital needed in Thai and foreign currencies.

FINANCE

Belgium's National Income: Estimates of Professor Baudhuin put the national income of Belgium in 1954 at BF 330.3 billion (US $6.6 billion), compared with BF 310.7 billion (US $6.2 billion) in 1953. Retail prices rose by 2 per cent during 1954, and the increase in real national income is estimated at 3 per cent. The distribution of income in 1954 changed only a little. Wages and salaries accounted for a slightly higher proportion than in 1953, whereas the share of profits in trade and industry was somewhat smaller. Savings amounted to 9 per cent of the national income in 1954, the same as in 1953.

*

Centre's Loan to States: The Government of India have sanctioned a loan of Rs. 2 crores to the local bodies or other road authorities in various States to meet the share of the cost of construction of over or under bridges proposed to be built in place of existing road-rail level crossings. The grant has been made from the provision in the Five-Year Plan for loans to Corporations. The level crossings proposed

to be replaced under the scheme are situated in the States of Andhra, Bombay, Madras, Punjab, West Bengal, Mysore, Rajasthan and Travancore-Cochin.

*

Aid for Village Industries and Handicrafts: The Government of India have sanctioned further grants and loans for the development of village industries and handicrafts. The All-India Khadi and Village Industries Board has been given a grant of Rs. one lakh which will be disbursed as subsidy to centres engaged in the production of hand-made paper. The Board gets another grant of Rs. 10,000 for conducting experiments to improve implements used in village industries. For the development of the village oil industry, Ajmer has been given a grant of Rs. 25,750. Out of this, a sum of Rs. 15,000 is for providing rebate on sales of ghani oil and the balance is for equipment subsidy and establishment charges. West Bengal gets a loan of Rs. 19,800 for the development of the palm gur industry. The amount is to be utilised for the marketing of palm gur through the State Sales Emporium.

TRADE

New Trade Agreement between Sweden and Yugoslavia: A new trade agreement between Yugoslavia and Sweden with a term of validity from July 1, 1955 to June 30, 1956, and providing for 30 to 40 million Swedish crone worth commodity exchange was signed in Belgrade recently. Yugoslavia will mainly export farm products, ores, metals semi-finished non-ferrous metal products, hardwoods, etc. to Sweden, while importing high grade steels, machinery, ball bearings, electric and telephone equipment, cellulose, newsprint and kraft paper, etc.

*

Pakistan's Exports Exceed Imports: Pakistan's exports exceeded imports on private account by Rs. 54.91 millions in April 1955. The exports on private account amounted to Rs. 111.4 millions while imports to Rs. 56.5 millions. Private account imports in April were the lowest since the beginning of the current trade year. The exports during the month under review, however, were in fact, about one-fifth more than in the previous month. Principal exports on private account during April, 1955, were jute, cotton, wool, hides and skins, and fish, whereas principal private import accounts during the month were, machinery, metals and ores, mineral oil, vehicles and instruments.

*

Anglo-Japanese Trade: Japan and the United Kingdom are negotiating for a new Anglo-Japanese trade and payments agreement. The object is to establish trade volume and payment method for one year period beginning this September 1. The original trade arrangement expired at the end of last year. It was later extended for three months until March-end and then re-extended in revised form for another three months. Japan proposes setting each way trade between Japan and the sterling area at a volume of £220 million, an increase of £10,500,000 over the present level.

*

Dutch-Israeli Trade Pact: A new commercial agreement between Israel and Holland—the sixth since the foundation of Israel in mid-1948—was signed recently. The new agreement provides for a further increase in trade between the two countries. The new agreement is again for one year with the possibility of automatic extension. Israel's purchases will consist of agricultural products and food,—edible oils and fats, chemicals and other new materials, as well as manufactures, including machinery. In exchange Israel will export citrus, other agricultural products and an increased quantity of manufactures, including tyres and glass.

*

Canada's Rise in Exports: Major increases in the exports of planks and boards, newsprint, paper, aluminium, copper, nickel, asbestos and petroleum and lesser gains in wood pulp, zinc and fertilizers contributed in pushing the value of Canada's domestic exports up 15 per cent in April to $336,100,000 from $292,400,000 in the corresponding month last year. Cumulative exports for the January-April period rose 13 per cent to $1,287,200,000 from $1,143,400,000. There was a particularly sharp rise in the exports to the United Kingdom, and substantial increases to the United States, Europe and the rest of the Commonwealth.

MISCELLANEOUS

Sui Gas Pipeline to be Extended to Multan and Lahore: A new contract has been awarded to Pakistan Constructors for the building of a 16-inch pipeline from the Sui gasfields to Multan—a length of 188 miles. The firm has just completed the gas pipeline over the 348 miles from Sui to Karachi. Work on the new line will begin in the middle of 1956, and will take about seven months to complete, though the country which the line will traverse is considered particularly difficult for pipe-laying. The line will later be extended to Lahore, and will have branch lines to Kot Adu, Montgomery, and Jhang Maghiana. The new contract is reported to be worth about £5,000,000. Pakistan Constructors, the successful tenderer, is a joint venture by a British organization and the Pakistani subsidiary of a U.S. Company.

*

Technical Aid by Britain: Britain has so far this year contributed £800,000 out of a world total of $19,430,028 to the U.N. Technical Assistance Board. This organisation sends experts to underdeveloped countries to advise about local production and other problems and arranges for trainees from these countries to pursue advanced studies abroad. Since the present assistance programme started in 1950, Britain's total contribution has been £3,160,000.

*

Rural Electrification Plans: While about 6,500 villages will be electrified at the end of the first Five-Year Plan, it is expected that during the second Plan, about 10 to 12 thousand more villages will receive power. The Planning Commission is, for this purpose, considering that in the second Five-Year Plan a sum of Rs. 10 crores should be allotted every year during the Plan period. The Planning Commission accepted the recommendations of the Roorkee Seminar and agreed to sanction Rs. 20 crores as loans to various States for electrification of villages and small towns in the last two years of the first Five-Year Plan. This was to be a part of the scheme for increasing employment opportunities. Of this sum, about Rs. 12 crores are to be spent on schemes intended for rural areas only.

*

Labour in Sugar Industry: There were 170 sugar factories employing 92,000 workers in India during 1953, according to the Labour Bureau, Government of India. The minimum basic wage of the worker varied from Rs. 15 to Rs. 30 per month in Bombay, to Rs. 8 to Rs. 24-6 inAndhra. The minimum wage inclusive of dearness allowance in U.P. and Bihar was fixed at Rs. 55 per month. The dearness allowance paid to the workers varied from place to place. It was linked with the cost of living index in Andhra, Madras and Travancore-Cochin. The rate was 2 annas per point of rise. The dearness allowance paid to the workers in Orissa, Modhya Bharat, Madhya Pradesh, West Bengal, Bhopal and Bombay was according to income groups and ranged from Rs. 21 to Rs. 51-12 per month.

NEWS IN BRIEF

INDIAN

The area under cotton in 1954-55 was 18,346,000 acres which is an improvement upon the area (17,182,000 acres) in 1953-54 and also exceeds the Plan target (1955-56) of 18 million acres.

*

It is reported that the Union Government would give necessary aid to start seven sugar factories on co-operative lines during the second Five-Year Plan in Andhra State.

*

The intake of nutritional foods in India is below the minimum requirement, according to the second "World Food Survey" and the "Year Book" of the Food and Agriculture Organisation.

*

It is reported the Government of India have referred to the Tariff Commission for investigation and report the claim of thin ball bearings industry to protection and assistance.

*

It is reported the Education Ministry hopes to provide every secondary school in non-Hindi speaking States in the country with at least one Hindi teacher under its programme for the second Five-Year Plan.

*

Rajasthan's second Five-Year Plan, as finally approved by the State Government is estimated to cost Rs. 132.5 crores.

*

The Delhi State Government's Rs. 8 crore milk supply scheme, envisages distribution of 7,000 maunds of milk per day.

*

The total subscriptions to the National Plan Bonds —second series 3½ per cent 1965—amounted to Rs. 103.65 lakhs, of which conversions accounted for Rs. 57.87 lakhs. Cash subscriptions will receive full allotment.

*

Export of tinplate containers will continue to be licensed freely to all permissible destinations other than the Portuguese possessions in India up to the end of 1955.

*

The Government of India has decided to release for export a further quantity of 1,50,000 bales of Indian raw cotton of current years (1954-55) crop or from crops of earlier years.

*

A programme for the manufacture of typewriters in India has been approved by the Government of India. Under this, three firms—Godrej Boyce of Bombay, the Remington Rand of India, Calcutta and the Rayala Corporation of Madras will in all be manufacturing 33,000 typewriters per year.

*

The Planning Commission has allotted Rs. 32.4 lakhs to the Ministry of Natural Resources and Scientific Research for equipment for the national laboratories under the Technical Co-operation Mission programme.

*

The Government of Bhopal has decided to start an agricultural research institute-cum-college shortly.

*

Orissa has planned to increase its raw jute output from 190,000 bales to 300,000 bales by 1960-61 under the Five-Year Plan. A Jute Research Station will shortly be setup in Kendrapara with the assistance of the Central Government for carrying research to inform the yield as well as the quality of jute in Orissa.

FOREIGN

The West Germany Radio industry expects to produce about 400,000 television sets during 1955, most of them being for the home market. At present only 150,000 persons hold television licenses. By 1958, production of television sets is expected to be at the rate of 1 million per annum.

*

Additional inducement to foreign investors in Israel's industry and agriculture are provided in an amendment to the law for the encouragement of capital investment which Parliament has just passed.

*

President Eisenhower has signed into law the Trade Agreements Extension Act of 1955. The new Act gives the president the right to trim U.S. tariffs by five per cent a year for the next three years and to roll back to 50 per cent of an import's value any duties above that rate.

*

It is reported an agreement providing for immediate wage increases averaging more than 15 cents per hour has been reached between the C.I.V. United Steel Workers Union and the U.S. Steel Corporation, the country's largest steel company.

*

The export duty on tea shipped from Indonesia during the third quarter of 1955 has been fixed at 4 per cent on the fixed value of 17 rupiahs for leaf and brokens and 13 rupiahs per kilo for small farmings and dust. These rates will be equivalent to 34 cents and 26 cents per half kilo, respectively.

*

The price of tea in New Zealand has been cut by 8d. to 7s. 4d. per lb. The revised price is well below the Government fixed maximum price of 9s. per lb.

*

A group of American banks has granted a loan of $30 million to Sapin for exchange stabilization purpose.

*

The world population at mid-1954 was estimated at 2,523,300,000 according to report of the United Nations 35,000,000 more than a year ago.

*

The Scottish firm of rolling stock and wagon builders, has received a £7,50,000 order from the Pakistan Government for carriages underframes and bogies. Delivery is to be made by end of next year.

*

With an average of 953,000 barrels a day, the Arabian American Oil Company produced a record amount of iron and oil in Saudi Arabia last year. The acreage for 1953 was 844,642 barrels daily.

*

Commercial airlines have decided to cancel flights to Chile due to tense situation in that country over the protest strike by 1,200,000 Chilean workers against the Governments inflative policy.

*

The Indonesian Batik Manufacturers Association (PPBI) in Jogja and the batik enterprises union (PPBI) in Jogja and the batik enterprisers union 2 Cambrics factories in Jogja at an expenditure of about Rp. 40 million each.

Special Article

DOLLAR BALANCES FOR INDIA

NOW that the problem of financing the Five-Year Plan is beginning to appear in more practical detail, some original optimism regarding India's likely balance of payments over the whole planning period is tending to be lost. This is not so much because the balance on current account is adverse in dollars at the present time. Indeed, it has been favourable in each of the last two years. It is largely because a virtual decision has been taken to expand imports in order to accommodate the tempo of industry to the likely demand for engineering products when the new steel plants commence to deliver. This may mean that from 1957 onwards India may be importing between one million and 1.5 million tons of steel, part of which will certainly need to come from the dollar area. Apart from this consideration there is the real possibility that there may be a lag in the production of capital goods, necessitating rather heavier imports than at present contemplated. If at the same time there should be a fall in dollar aid or private investment, it is conceivable that a dollar shortage might be a serious impediment in the fulfilment of the Plan.

Farsighted observers in Delhi have long appreciated the handicap that India suffers by reason of the fact that at the present time her sterling balances are inconvertible except in respect of current transactions covered by the No. 1 account. At a time when the gold and dollar reserves were low, it was not reasonable to expect from the British Treasury Authorities that an allocation of something between three hundred to five hundred million dollars would be allowed to be held in balances on India's account in the United States; that would have produced a critical situation for the gold and dollar reserves of the whole sterling area. The position since 1952, when the last critical payments problem arose for the sterling area, warrants however, a new approach to this problem. The table alongside shows the movement in the sterling balances for every month since January 1953. It is not only that the balances have moved up from 1.978 billion dollars to 2,680 billion dollars, that is to say, a rise of well over 25 per cent. The figures for increases and decreases show in recent months a narrowing which indicates a position of comparative stability and the level of United States defence aid has also now reached amoderately stable figure so that although sterling may be weak at the present, the total outlook for the sterling area can never be as bleak as during the sterling area crises of 1949 and 1952.

From this proposition that the gold and dollar reserves of the sterling area have now entered a range of comparative safety, one might perhaps argue that the plea that the gold and dollar reserves do not admit of convertibility has ceased to be relevant, and there is now another powerful consideration. India's need for financial accommodation in the Western Hemisphere has grown steeply with the size of the second Five-Year Plan.

Financial authorities in the United States as well as in India are now agreed that if India does not have significant balances in the United States she will not enjoy, for purposes of raising loans in the United States, one large condition often sought by American investors. It is also true that so far as the major American banks are concerned, interest in Indian loans for development will not be aroused until substantial dollar balances are indicated from which repayments, even if deferred, can always take place. The possibility of a dollar loan of significant dimensions can not now be ignored. As a first step towards the raising of such a loan it would be a great help if India's sterling in her No. I Account were transferred to Washington and held as a dollar balance. It is also quite possible for India's releases from the sterling balances to be payable in dollars. This is no more than saying that India will consume her sterling releases on current account. Existing arrangements with the sterling area already provide for transfer in dollars on items of actual payments for trade or services. What will be new will be only the holding of these balances in the United States when not utilised.

More specifically, this proposal is for the transfer at once of something of a 100 million dollars to an account in the United States and an addition thereto of a 100 million dollars every year for the next five years making available a sum of six hundred million dollars in all. This is no large request to make of the sterling area at this time of India's need.

(In U.S. $ million)

	Gold and dollar reserves* of the Sterling Area (End of period)	Increase (+) or decrease (—) in gold and dollar reserves	U.S. Defence Aid grants and loans**
1949	1,688	— 168	—
1950	3,300	+1,612	—
1951	2,335	— 965	11
1952	1,846	— 489	400
1953	2,518	+ 672	307
1954	2,762	+ 244	152
1953 January	1,978	+ 132	44
February	2,103	+ 125	33
March	2,166	+ 63	29
April	2,273	+ 107	20
May	2,321	+ 48	13
June	2,367	+ 46	28
July	2,456	+ 89	36
August	2,469	+ 13	19
September	2,486	+ 17	28
October	2,520	+ 34	13
November	2,561	+ 41	24
December	2,518	— 43	20
1954 January	2,543	+ 25	15
February	2,583	+ 40	31
March	2,685	+ 102	14
April	2,820	+ 135	9
May	2,985	+ 165	6
June	3,017	+ 32	3
July	3,013	— 4	15
August	2,918	— 95	11
September	2,901	— 17	9
October	2,936	+ 35	17
November	2,925	— 11	14
December	2,762	— 163	8
1955 January	2,763	+ 1	13
February	2,681	— 82	15
March	2,667	— 14	21
April	2,686	+ 19	17
May	2,686	..	18
June	2,680	— 6	10

* Exchange Equalisation Account holdings of gold and of U.S. and Canadian dollars. Gold valued in £ million at 250s. per ounce fine and in U.S. $ million at $35 per ounce fine. U.S. and Canadian dollars valued at appropriate rates.

The Business World

TRANSPORT AND TAXATION

THE deterrent effect of the heavy incidence of motor vehicles taxation on the growth of road transport in this country has now been universally acknowledged and there is unanimity on the urgency of the need to give immediate relief in taxation to remove one serious handicap to motor transport development. It is also acknowledged on all hands that the anticipated extreme pressure of traffic on the demand for transport must be met in full, if a slowing down of the rate of agricultural and industrial production is to be averted. Road transport is bound to come in for an increasing share, on a much more spectacular scale than ever before since planned development of the country's economy was undertaken, in providing capacity for the higher demand.

The Indian Road Transport Development Association has tendered its memorandum to the Central Government on its views on the recommendations of the Taxation Enquiry Commission in so far as they deal with taxation of road transport. A scrutiny of other vital aspects of motor transport, chiefly an examination of the policy of motor vehicles licensing and regulation of road services, was outside the scope of the memorandum. The emphasis on relief in taxation as a direct and powerful incentive to the expansion of motor transport should not be misconstrued as dispensing with the need to relax the severe restrictions on licensing and liberalisation of the policy for motor traffic operations.

The memorandum of the IRTDA goes directly to the root of the problem of retardation of motor transport development. The real beginning of intensive growth of motor transport is to be traced to the period immediately following the termination of World War I. The tempo of growth went on increasing at a rapid pace and during the three decades from 1920-21 to 1950-51, the increase in the registration of motor vehicles, on the average, has been of the order of 12 per cent. In telling contrast with this encouraging rate of progress, the increase in vehicle registration for 1950-51 to 1952-53, coinciding with the earlier part of the first Five-Year Plan, took a precipitate fall to 3.7 per cent. It would, of course, be preposterous to attribute this sharp fall to the impact of taxation. There is certainly no evidence that the incidence of taxation shot up so suddenly during this period. The memorandum of the IRTDA does not make out any such case. There were other factors which were responsible for this decline, but the fact remains that taxation was a potent factor which operated to discourage the growth of motor transport. If the criterion of consumption of motor spirit is applied to assess the rate of growth, the downtrend in the utilisation of the existing motor vehicle fleets would be quite obvious. The downtrend is apparent from the following figures of civilian consumption of motor spirit:

Year	Consumption Million Gallons	Civilian Vehicles Excluding Motor-Cycles	Average Consumption per Vehicle
1950-51	204	2,77,990	734
1951-52	257	2,78,963	957
1952-53	258	3,00,076	859
1953-54	254	2,96,000	858

After the spurt in consumption of motor spirit, following the policy of derationing, in 1951-52, total consumption declined progressively in spite of an increase in the number of vehicles. The net result is seen in the sharp fall after 1951-52 in the average consumption per vehicle. It reflects less intensive utilisation of the registered stock of vehicles.

The question of taxation has been discussed at great length in the last five years since the Motor Vehicle Taxation Enquiry Committee tendered its report and more recently after the publication of the report of the Taxation Enquiry Commission. The case for tax relief need not be argued since it has now been conceded. An outstanding and distinguishing fact about the recommendations of the TEC is that the principle of earmarking of part of revenue from road transport taxation for outlay on road development has been unequivocally accepted, although the share of tax proceeds to be earmarked has been fixed at a little more than 44 per cent of the taxation of motor spirit. This principle offers a solution for compromise on a co-ordinated policy of taxation as between the State Governments and the Central Government. Hitherto, the State Governments adopted an unbending attitude of opposition to a ceiling on motor vehicle taxes at the rate prevailing in Madras, which in 1950 was, on the basis of average tax per vehicle, 3.7 times as high as the average tax for the rest of India. The justification offered by the Madras Government for the high rate of taxation, namely, that the proceeds were necessary to finance road development expenditure is not fully borne out by facts. The estimate made by the IRTDA discloses that only about half of the tax-revenue is used for this type of expenditure in Madras. The vital issue of fixing an actual ceiling on motor vehicle taxation apart, the State Governments can now agree to appreciable tax relief once they are assured that separate funds on a non-lapsable basis can be set apart for road maintenance, repairs and development. It has become practicable for them at long last to cross this major hurdle to tax relief.

The reliefs urged in the memorandum of the IRTDA would have the effect of reducing the aggregate tax-receipts, on the basis of 1953-54 figures, from Rs. 63 crores to Rs. 53 crores—a loss of Rs. 10 crores. The stimulus which motor transport will receive will more than compensate for this loss and it is anticipated that the number of vehicles as well as the tax proceeds will increase by not less than 100 per cent in a period of 10 years.

The recommendations made by the IRTDA may be recapitulated in brief: (1) Passenger buses, goods trucks and cars manufactured in India should be exempted from the special sales tax of State Governments. (2) The Central duty on petrol should be reduced to 12 annas per gallon and the States tax on it fixed at 4 annas. (3) Three-fourths of the total tax on motor spirit and the entire proceeds of the tax on motor vehicles should be credited to the States' Road Funds which should be non-lapsable. The balance required for road expenditure should come from the general revenues. (4) The motor vehicle tax should be based on all-India receipts of this tax for 1953-54 which are about twice those in 1949-50 at the time of the report of the Motor Vehicle Taxation Enquiry Committee. The tax should be the same in all States like other taxes, e.g., sales tax on motor spirit, and should be brought to a uniform level throughout India

in a period of three to five years. (5) Tyres supplied to motor vehicle manufacturers as original equipment on new vehicles should be exempted from excise duty and in all other cases the existing tyre duties should be reduced by 10 per cent ad valorem. (6) Wheel tax on motor vehicles in all municipalities including corporations should be abolished and adequate compensation paid to municipalities now levying it. (7) With the abolition of octroi and transit duty on goods passing through a local area, the octroi on goods for local consumption should be collected, with the freight by road operators, according to a schedule. (8) To ensure adequate development of rural roads, a Statutory Road Board, with control over the entire road system, should be created in each State and given specific grants from specific sources. The Boards should work to a common policy of road development in consultation with the Centre. A portion of local revenues should be handed over to these Boards, as local board contribution for rural roads.

DEATH THROUGH EXHAUSTION?

AFTER well-nigh 80 days' trial of strength between the employers and workers, the textile labour strike in Kanpur died practically of exhaustion. While the belated decision of the Suti Mill Mazdur Sabha to end the unjustified stoppage has naturally caused great relief to all concerned, one really wonders whether, considering the huge loss of cloth production, estimated at one million yards per day, and the estimated losses to industry of Rs. 150 lakhs, and to workers of Rs. 50 lakhs (with the consequent distress caused to their families), the strike could not have been averted at all. The issues involved were not complicated; they might have been solved by direct negotiations; and yet the deadlock was foisted on the workers by the tussle for power and recognition between the I.N.T.U.C. and the Suti Mazdur Sabha comprising the pro-Communist and other Leftist groups. That, since the strike started, several workers, braving threats and intimidations from recalcitrant elements, were going to their mills for work in increasing numbers, was proof positive that the Sabha did not have the support of the entire labour force numbering nearly 50,000.

Apart from the demand for redressal of certain minor grievances, the major point at dispute was the introduction of rationalisation schemes in certain textile mills, to which, be it noted, the labour leaders themselves had, at least in principle, lent their support in the past more than once—when they signed the Nimbkar Committee Report which upheld the principle of rationalisation and when they participated in the Naini Tal tripartite conference in June 1954, which had been called with the declared purpose of settling a programme for, and deciding the principles of, rationalising textile labour. A seven-man Committee was to have been appointed to supervise the rationalisation schemes in six different mills in Kanpur. Unfortunately, however, the leader of the Sabha soon came out with a statement repudiating the understandings reached at the Naini conclave, and asserting that only "examination" of the tentative schemes of rationalisation was all that had been agreed to. It was this difference in interpretation that turned out crucial and, when the Government of U.P. was left with no alternative but to disband the Committee and leave the employers free to introduce rationalisation collectively or otherwise, the Suti Sabha seized the opportunity to foment labour unrest. When, with the approval of the State Labour Commissioner, some mill managements introduced changes in workload, the Sabha declared a general strike, involving workers in woollen mills as well.

Credit goes to the Kanpur City Congress Committee, which, sensing the anxiety of labour leaders to effect a rapprochement without loss of face, initiated mediation moves which led to the clarification of the official viewpoint that the rationalisation proposals did in no way constitute a final scheme and that the gaps left by the Naini Tal formula could be filled in by mutual discussion. This view found favour with the workers' leaders and they saw the Chief Minister of U.P. last week, armed with "14 points". Although there is no confirmation of Mr. Sampurnanad having accepted the 14 points, the General Council of the Suti Mazdur Sabha, as is evident from its resolution withdrawing the strike, seems to have been satisfied with the clarification given by the Labour Commissioner. The State Government, although not a direct party to the strike, has swiftly acted by deciding to set up a Committee under Justice Bindbasini Prasad to go into the dispute. The Chief Minister has made it clear that rationalisation of the Naini Tal pattern has quite properly been accepted by all parties. The Committee will have on it representatives of industry and labour in equal number.

The vital question that the strike raises is: What has labour gained by this uncalled-for strike? Nothing— apart from securing postponement of the "odious" rationalisation schemes. And what have the employers gained?—the extent of rationalisation introduced during the strike period. But no further steps will be taken until the new Committee's findings are available. On the side of the Government, there is a distinct gain to the extent that it has succeeded in getting back the Suti Mazdur Sabha to the position agreed to at Naini Tal. What is now needed is the maintenance of the atmosphere essential for the proper functioning of the new Committee. The futility of this deplorable strike in Kanpur should serve as a neye-opener to workers elsewhere who allow themselves to be misguided by interested labour leaders. By taking law into its own hands, labour not only harms its own interests but alienates the sympathy of the Government which, in the normal course, is sympathetically disposed towards its legitimate demands for amelioration of working conditions.

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Economic Report from the U. S.

AMERICAN ECONOMY

(By Guy Sims Fitch)

WASHINGTON, July 19.—Historians will record that in the first half of 1955 the economy of the United States advanced to a peak it had never known before. Among the most obvious aspects of the current rise are its size and speed. In less than a year, the American economy has moved from recession to recovery and on to the highest prosperity it has known. Total output of goods and services, industrial production, personal income, and new employment, have reached record levels. And unlike the previous high mark achieved in the first half of 1953, this upward movement gives every sign of continuing.

But there is another and even more striking aspect to the current economic advance: the drive behind it is coming from the American consumer. In early 1953, Government outlays—particularly for defence—were rising, the current period is marked by a waning in Government expenditures. Outlays for munitions are running 35 per cent behind the levels of the second quarter of 1953. Then they were hitting an annual rate of $23,200 million; now they are down to $15,000 million. Consumer spending, on the other hand, is up about $12,000 million to a total exceeding $242,000 million a year. This is reflected in the demand for things that are eaten, worn, driven or otherwise used in civilian life—demand that is reflected, in turn, in the use of basic materials that go into consumer goods. Output and use of such materials as aluminium, steel, copper and rubber are soaring.

The electrical appliances industry is enjoying a healthy increase in business, with many appliances being made and sold in record numbers. Passenger car output is 15 per cent ahead of 1953 peaks. Building materials—glass, lumber, brick, cement—are 6 per cent ahead. Textile and apparel industries are making a strong recovery, only a point or so below their old peaks. But this consumer activity is founded on more than record employment and income levels. The fact is there has been a significant change in the pattern of family income. Government reports show that in the eight years since 1947, the number of families with incomes over $4,000 a year, in current dollars, has increased by 70 per cent. This gain has not been eaten up by inflation; purchasing power of the average family is 12 per cent greater than in 1947.

The typical family, in spite of its heavy spending since World War II, also has money laid aside for emergencies. Personal savings in liquid form total more than $209,000 million. More than two-thirds of American families have sizable savings accounts; and most of the few that do not still have other forms of security in the shape of cash, insurance and pension reserves. Investigation also shows that most families are putting their money into assets more tangible than the stock market. Only 8 per cent own stocks—about the same ratio as in 1953. But more than half now own their own homes, and nearly 70 per cent own one or more automobiles. Household purchases—such as appliances and furniture—are at record or near-record levels. Expenditures of this type often are made on the instalment plan. The total now owed by consumers is estimated at more than $115,000 million. But nearly three-fourths of this is in home mortgages. repayable over many years—usually from 15 to 30—and in amounts generally comparable to rental payments.

Most families, in fact, do not owe for goods bought on a pay-as-you-go basis. The vast majority of those who do can clear themselves of debt within a year, if necessary. Only three per cent have instalment debts stretching more than two years. The general conclusion, therefore, is that the American is not overloaded with debt that will keep him from doing more buying at a time when his income is high and rising.

The consumer market today is as broad as the American population itself.

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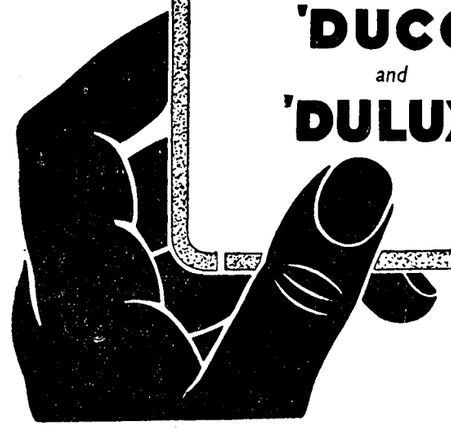
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A Letter to the Editor

PROHIBITION AND ITS PRIORITY

Sir,

The second Five-Year Plan has an ambitious programme of many social welfare and other measures embodied in the directive principles of the State, besides that of prohibition, but the success of the Plan depends on adequate finance. The loss of revenue from nationwide prohibition plus the cost of effective enforcement may never be made up from other sources. The Government will then be faced with a problem in priority in implementing the directive principles. If it gives priority to prohibition, other social welfare measures such as more hospitalization facilities, slum clearance, low cost housing, adequate nutrition for the children, etc., may suffer for lack of enough funds. Surely prohibition does not deserve priority over other more urgently needed amenities for the people, particularly if we interpret a little less rigidly Article 47 of the Constitution which directs that the State shall endeavour to bring about prohibition of the consumption of intoxicating drinks and of drugs which are injurious to health.

It cannot be said that drinking in strict moderation is injurious to health or causes intoxication. (Churchill's fitness has never been questioned. According to a British heart specialist, drinking beer may be good for heart ailments. On the other hand recent medical research seems to indicate that too much smoking leads to cancer of the lungs. That calls for prohibition of smoking too!)

The habitual anti-social behaviour of an individual who resorts to excessive drinking is inherent in the mental make-up of the individual concerned, rather than in the alcohol. A drink addict is an emotionally maladjusted individual, who is high in "inhibition" and low in "self-sufficiency", according to Dr. Salter, an authority on Conditioned Reflex Therapy. This applies just as much to the irresponsible workman who squanders his weekly wages on drinks as to the sophisticated socialite who disbehaves at a hotel bar or a club. The cure of such a person includes total abstinence from alcohol but if he is forcibly deprived of alcohol without any attempt to reconstruct his personality, he is sure to develop other symptoms or habits which are just as serious as addiction to alcohol, as far as he is concerned. For instance, he may become addicted to narcotics; he may develop hypochondria, insomnia, stomach uclers, high blood pressure, obesity, spastic colitis, claustrophobia, agarophobia and neurasthanea, to name a few; he may become moody, shy and sensitive, lose weight through a perpetual state of anxiety and even commit suicide. (The same things may happen even if he were a teetotaller to begin with.) Thus total prohibition in itself is no solution for him as he just substitutes one evil for the other.

On the other hand, the majority of those who drink, are more or less normal and emotionally balanced. They are not compulsive drinkers and drinking for them is no evil as long as they do not deliberately drink to the point of intoxication, or injure their health by excessive drinking.

It appears, therefore, that the objectives of the directive principle of prohibition can be realized in spirit by adopting the following measures, which will ve sacrifice of revenue and additional tax-

1. Formation of officially sponsored citizens' committees throughout India for ensuring restraint and reduction in drinking.

2. Substitution of all official, diplomatic and business cocktail parties by "Tea Parties". Drinking orgies such as those in Delhi commented upon by the Prime Minister must be stopped.

3. Restriction to two drinks per person at all hotel bars, restaurants, clubs and public places.

4. Voluntary restraint by all drinkers in the consumption of alcohol at home; voluntary restraint in the serving of drinks at strictly private parties.

5. Rehabilitation of alcoholics through proper medical and psychiatric treatment and total abstinence from alcohol.

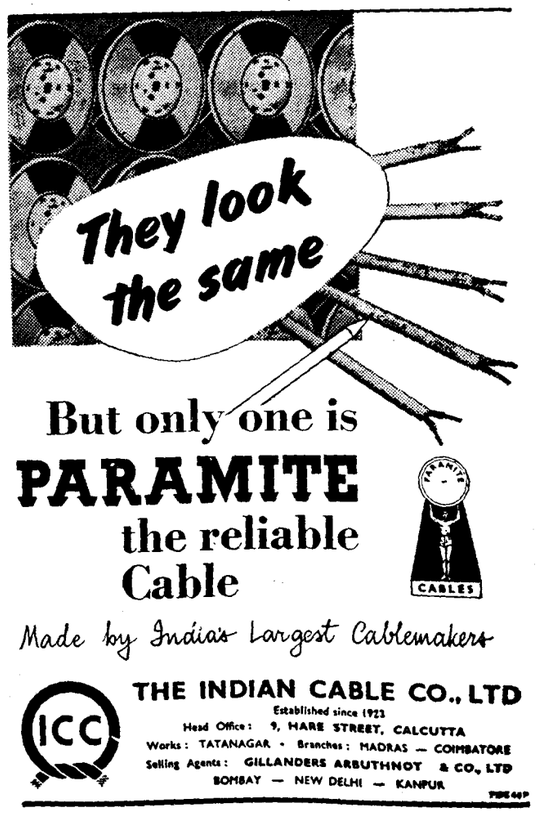
6. A programme of social education and personal counselling for the industrial workers.

These measures and any others that may be considered appropriate, should be given a reasonable trial before introducing total prohibition throughout India.

Yours faithfully,

A. R. PALIT.

New Delhi,
15th July, 1955.



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BUSINESS NOTES

SALES OF COTTON TEXTILES

THE SATISFACTORY performance of the piecegoods market for the first fortnight of July comes as a refreshing contrast to the real state of affairs on the export front of the textile market which had been characterised by a steadily declining trend. According to the latest figures available, Bombay Port alone would appear to have suffered a sharp decline in the quantum of exports of mill-made cotton textiles for the month of May, when only 62.1 million yards of cotton piecegoods were exported showing a net decline of 10 million yards over the previous month's offtake. While part of this decline could be attributable to the seasonal slackness in demand, it was also partly due to the labour strike in Bombay docks during that period. However, it is significant that the May figure was in itself a record, in that it has not been surpassed for the corresponding month in any year since 1951. But, the fact remains that there has been a fall of 37 million yards in the export of cotton piecegoods for the first five months of this year which, at 327.6 million yards, compares unfavourably with 364.6 million yards registered for the corresponding period of 1954.

The reason for this decline in the export of mill-made cotton textiles is not far to seek. Of late, there has been a steadily declining trend in the offtake of Asian markets. Despite the valiant efforts of the Textile Export Promotion Council in laying bare the shortcomings that the Indian textile exporter has become heir to, losing in the process one attractive market after another, and that too invariably making a present of these markets to Japan whose high pressure sales technique has always yielded good dividends no steps would appear to have been taken by either mills or exporters to set matters right. In fact, discussing the loss of the Iranian markets, the Textile Export Promotion Council has pulled up the Indian mills and exporters and observes: "To revive the dwindling interest in this market, the first and foremost pre-requisite is the offer of quality textiles in secure and attractive packing. The little extra money that may have to be spent will be more than compensated by the business turnover and good will. Secondly, complaints of whatever nature must be promptly settled. Thirdly, there is an urgent need for effective and sustained publicity campaign and personal contact on a regular basis with importers". The indifference of the textile-exporting interests to details that would pay could not be more eloquently expressed. For the advice given by the Council is but the rudimentary principles of sales promotion.

In the circumstances, it is no wonder that the decline of 6 million yards in May as compared with the month of April in the offtake of Asian markets has been mainly responsible for the steep fall in India's exports of cotton piecegoods. These markets include those of Afghanistan, Pakistan, Iran, Iraq and Indonesia. The recent Pak-Afghan deadlock proved a damper to the transhipment of Indian textiles to Afghanistan, as most of the Indian exports to this destination have to pass through Pakistan. In the case of Indonesia, lack of issuance of fresh licences would appear to have been the immediate cause of slackening in offtake by that country. Apart from Japanese competition, the fall in India's exports to Iran is also attributable to the exorbitant import duty imposed on coarse and medium varieties, which accounted for the bulk of India's exports.

As against the offtake of 11.98 million yards of Indian cotton piecegoods recorded in the month of April, the European markets accounted for only 8.94 million yards while continued dock strike eroded into the usual quota of U.K.'s offtake.

Even in respect of the African markets, which provided the only silver lining to an otherwise gloomy picture of exports, shortage of shipping space, particularly to East African ports, cut into the quantum of exports from this country. India's best market in Africa, namely Sudan, has taken one million yards of cotton textiles less than that in the month of April, the reason for this decline being Sudan's resumption of textile imports from Japan under the new Cotton Link System.

Among the ten main markets, for which figures are available, U.K. and Sudan have maintained their traditional first and second places, respectively, in the quantum of offtake of Indian cotton textiles, with British East and West Africa showing a perceptible improvement. From a variety-wise analysis of the exports for the month under review it is clear that sheeting has constituted the main item of export, comprising roughly about 48 per cent, more than 15 per cent higher than in the previous month.

'ORPHAN' COTTON

NO OTHER single factor has given rise to repeated worries to the cottonmen in this country as the chameleon-like policy pursued by the Government in respect of Saurashtra cotton. Saurashtra cotton, which includes Dholleras, Mathias, (Wagad, Kalagins and Kalyan) is mainly grown in Saurashtra and Kutch States, the cultivated acreage being 10,91,000 acres. Considerable weakness was noticed in this cotton during the past few months following a sharp increase in the size of the crop. This year the crop is estimated at about 3,25,000 bales, as compared to about 2,38,000 bales in 1953-54 and only 1,57,000 bales in 1952-53. This apart, when there was excess supply in 12"s to 16"s group, instead of the usual short supply, following larger yields of Khandesh crop, as well as thinner styles cotton of lower spinning value, the weakness in the Saurashtra cotton was doubly emphasised. This cotton, therefore, became a deadweight on the market and threatened to remain so unless some export outlet was found. But, the Government's earlier stipulation, (announced towards the middle of April) stating that exports of cotton of ¾" staple and below, amounting to 35,000 bales of Saurashtra cotton, could be made only from Saurashtra ports acted as a drag on the market. For, shippers pointed out that these ports were generally not seaworthy during the monsoon and representations were made to the Government urging this stipulation to be removed and allowing exports of Saurashtra cotton from any port. Representations were also made pleading for the abolition of the export duty on this cotton. It was in answer to these protests from the trade that the authorities announced, on the last day of June, that the stipulation that 35,000 bales out of the 1,00,000 bales of cotton allowed for export on April 12th, should be shipped from Saurashtra ports alone, has been dispensed with. Simultaneously, export duty "on all varieties" of cotton was also reduced by Rs. 50 per candy. This latter decision, although welcomed by the trade in general, placed Saurashtra cotton once again back to its original 'orphan' status. In fact, the reduction in duty benefit-

ed the foreign buyers at the expense of the Indian Exchequer.

The last straw on the camel's back has now been placed, as it were, by the Government removing the stipulation about 35,000 bales of Saurashtra cotton entirely. Thus, by a notification, dated 15th July, issued by the Joint Chief Controller of Exports, Bombay, the clause relating to the stipulation that 37 per cent of the quantity licensed (to individual shippers) should be of Saurashtra origin has been removed. In the event, Saurashtra cotton bids fair to remain an 'orphan' cotton until the Government thinks it fit to stop playing fast and loose with the trade.

TEA PRICE TRENDS

THE CONTINUED demand for tea and the progressive improvement in prices at London auctions, coupled with the relaxation in retailers' resistance, indicate the advent of a period of comparative stability for tea during the months ahead. A significant factor is the increasing activity of the grocers in the U.K. who were the backbone of the consumer resistance which broke the spiral of rising prices earlier this year. That export sale prices in Calcutta have been showing an upward trend will be evident from the latest results. Clean Black Pekoe has risen from Rs. 2-12 per lb. on June 14 to Rs. 3-2 per lb. on July 12, while Plain Broken Pekoe, which was ruling at Rs. 1-14-6 a month ago, was quoted at Rs. 2-7-6 on July 12. Similar gains have been recorded by Medium Dooars Dust which fetched Rs. 2-2 on July 12, against Rs. 1-11-6 on June 21.

In the recent London sales, offerings, however heavy, have been fully absorbed at steady prices. At the auctions held in the second week of July in London, the average price realised was 3s. 8.3d. against 3s. 7.59d. in the previous week, and 4s. 7.55d. a year ago. Retail prices, it would appear, have been seeking a more stable, though lower, level throughout the U.K. All this indicates that, while the runaway prices of tea witnessed last year—which can only bring a reaction inimical to the interests of the trade—have been halted, prices have, in general, been finding a lower, but certainly a more stable, level. The prospect of stability is aided by the growing realisation on the part of producers that in a falling market, poor quality teas have become less and less saleable. Consequently, attention is concentrated more on quality than on quantity.

RISE IN INDUSTRIAL OUTPUT

THE GENERAL index of industrial production for the first quarter of 1955 stood at 157.2 as compared with 155.8 for the last quarter of 1954. The average for the corresponding quarter of 1954 was 137.6. The general index of industrial production reached in separate months of the quarter was 150.9 for January 1955, 157.8 for February and 162.9 for March 1955.

Of the major industries, engineering, textiles, chemical and sugar showed increased production. Iron and steel, coal and cement recorded a slight decline as compared with the production in the previous quarter but the production of coal and cement was higher as compared with the first quarter of 1954. The total production of cloth by the mill industry during the quarter increased by 11 million yards to 1,262 million yards, as compared with the previous quarter. The increase was due to satisfactory offtake of cloth and the availability of large supplies of cotton. Some of the important chemical industries which showed higher output during the quarter were soda ash and dyestuffs. The production of sugar during the quarter amounted to 9,58,300 tons as compared with 7,10,100 tons for t corresponding quarter of 1954. The output of ir and steel showed a slight decline as compared with t last quarter of 1954. The production of finished st totalled 3,15,900 tons, which was lower by about 10,(tons, as against the previous quarter. The output pig iron which stood at 5,02,600 tons in the precedi quarter declined to 4,70,100 tons. The production cement also declined by about 17,000 tons to 1,121,1 tons, and of coal from 9,747,000 tons to 9.706,000 to Jute goods output totalled at 254,600 tons, showing slight fall of about 3,000 tons as compared with t previous quarter.

GLASS INDUSTRY'S PLIGHT

BARRING INDIVIDUAL units which, in particul years, might be experiencing hopeful results, t situation in the Indian glass industry on the whc presents the same unhappy problems arising from t rise in production costs, competition from import products and deterioration in productive efficienc While the 1955-56 production target for sheet glass 26,000 tons, only 11,250 tons were actually produced i 1954. At this rate, it is hardly likely that the targ would be reached, especially if reports of the closu of several factories in recent months are true. Tl fact that the future of the glass industry depenc upon continuous improvement in productive efficien was brought home by Mr. S. Chattanatha Karayal in his address to the 12th annual meeting of the Trava core Ogale Glass Manufacturing Company, Ltd., who working has resulted, for the third successive year, a loss.

While the price level of goods in the market dictated by several economic factors—some of whi are unpredictable—the cost of production is a fact over which some control is possible—to the exte efficiency could be improved by the co-operation labour and adjustment of the latter's demand to t industry's capacity to pay. Mr. Karayalar devoted major portion of his speech to this vital aspect of pr ductivity, emphasising that the deterioration in ef ciency of production was not due to intrinsic ineff ciency on the part of labour but on account of extraneo influences exerted by wrong leadership. He pointed o how labour leaders are obsessed with the notion that mo and more may be extracted with less and less wor This obsession has become the bane of trade unionis in this country and the sooner the workers concerne realise the detrimental effects of this notion the bett will it be for the future of industry and for their ow welfare.

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COMPANY AFFAIRS

THE PARASEA COLLIERIES LTD.

The Report of the working of the Parasea Collieries Ltd., for the half-year ended 31st December, 1953, together with the Balance Sheet, etc., shows the following results:

Company's profit for the half-year ending 31st December, 1953, after providing Rs. 46,154 for depreciation and Rs. 33,800 for Income-tax	Rs.	26,899
Add: Balance brought forward from last Account	„	6,618
Transferred from General Reserve Fund	„	1,20,000
Less: Provided for old depreciation and taxation as per Income-tax assessment	Rs.	1,06,623
Balance available for disposal	Rs.	45,895

The Directors propose payment of Dividend to the holders of 8,000 Preference Shares at the rate of 5½ per cent per annum taxable for the year ending 31st December, 1953. This would absorb a sum of Rs. 32,450. They also propose payment of Dividend to the holders of 83,400 Ordinary Shares at the rate of Annas Two per share free of Income-tax for the half-year ending 31st December, 1953, which will amount to Rs. 10,425 leaving a balance of Rs. 3,020 to be carried forward to the next half-year.

During the half-year under review, the Output decreased as compared with the previous half-year. Moreover, raisings had to be restricted due to heavy accumulation of stocks. However, the despatches have been improved to a great extent and the stock position became normal at the end of the year. The results for the next half-year are more satisfactory.

	For the half-year ending Dec. 1953	For the half-year ending June 1953	For the half-year ending Dec. 1952
			(In tons)
Raisings	35,987	38,495	31,687
Despatches	37,139	34,107	33,937
Stock after Boiler Consumption	1,676	6,173	6,126

South Parasea Collieries Ltd., in which the company holds shares is progressing satisfactorily and the Company has commenced payment of dividends on the Ordinary Shares.

THE SONE VALLEY PORTLAND CEMENT LTD.

The Report and the Audited Accounts of the Company have been submitted for the year ended 31st December, 1954. The rulings were arrived at, in respect to the new selling prices for cement by the Central Government as a result of the findings of the Tariff Commission's enquiry. The new price fixed by Government for the sale of Rohtas Cement, which came into force as from the 8th February, 1954, resulted in a reduction in revenue of some Rs. 4 lakhs. The net surplus available for distribution after provision for all changes and Taxation, is thus adversely affected by approximately Rs. 2¼ lakhs and stands at Rs. 4,57,006 which together with Rs. 6,448 brought forward from the previous year amounts to Rs. 4,63,454-5-4 which is available for distribution. T Directors have recommended a dividend at the r of 5 per cent for the year, free of tax, absorbi Rs. 3,75,000 and the balance of Rs. 88,454 to be carri forward.

Cement produced and deliveries made during t year as compared with the previous year are follows:

	1954	1953
Production	1,96,910 Tons	2,13,900 To
Despatch	2,00,277 „	2,10,878 „

Heavy repairs and renewals to the Wet and D Mills were carried out during the year and this reflected in the lower tonnage produced. Developme operations of the Company's Hutar Colliery proceede satisfactorily and raisings amounted to 54,000 to with despatches at 49,000 tons.

THE UNITED PROVINCES SUGAR CO., LTD.

The audited accounts of the above mentione Company for the year ended 30th September, 19 show:

Profit on Sugar Account	Rs.	4,22,42
Sale Proceeds of Motor Car and Scrap	„	6,82
TOTAL	Rs.	4,29,24
Less—Loss on Estates Account	„	5,36
Profit for the year	„	4,23,88
From which has been deducted: Provision for Central and State Taxation	„	1,90,00
Leaving a balance of	„	2,33,88
To which falls to be added the credit balance brought forward from last year	„	5,18
Leaving a balance available for distribution of	„	2,39,06

Which is recommended to be dealt with as follows:

Payment of a dividend of 12½ per cent for the year to 30th September, 1954 (5 per cent for 1953)	„	2,00,000
Leaving a balance to be carried forward to credit of Profit and Loss Account	„	39,061

Provision for Depreciation absorbed Rs. 71,194 while expenditure during the year on new batteries and wiring amounted to Rs. 9,958.

The results for the year are considered as quite satisfactory when compared with those of the previous season and this in spite of the difficulties encountered in regard to flooding and price agitation by cane growers. Government control over the sale of sugar continued throughout the year, but satisfactory prices were obtained for the stocks released for free sale. A bonus at the rate of 2½ annas per maund of sugar produced and amounting to Rs. 29,777 was paid to workers under the terms of the Government of Uttar Pradesh.

Season's crush at 24,83,996 maunds against 18,96,330 maunds in 1953-54 has been satisfactory and the recovery at 10.16 per cent is slightly better than that of 10.05 in season 1953-54. The results should, therefore, be satisfactory unless the position is materially affected by the recent 50 per cent increase in the excise duty, the surplus sugar stock in the country and the fall in sugar consumption.

COMMODITY NEWS AND NOTES

FINAL ESTIMATE OF LINSEED

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of linseed, 1954-55, puts the current year's area and production at 3,290,000 acres and 388,000 tons, as against the partially revised estimate of 3,360,000 acres and 374,000 tons, respectively, for 1953-54. The current year's estimate, thus, shows an increase of 14,000 tons or 3.7 per cent in production over last year in spite of a decrease of 70,000 acres or 2.1 per cent in area.

The decrease in acreage under linseed during the current year has been reported mainly by Bihar, Madhya Pradesh and Uttar Pradesh due to unfavourable weather conditions at the sowing time. The decrease in acreage has, however, been offset to a certain extent by the increases registered by Vindhya Pradesh and Hyderabad due mostly to favourable seasonal conditions. In spite of an over-all decrease in acreage there has been an increase in production of linseed shared by almost all linseed growing States.

SINGAPORE RUBBER REACTS

Rubber prices in Singapore slumped last week following a suggestion made by Mr. J. Collyer, Chairman of the B. F. Goodrich Company, that the U.S. Government intended to reduce its crude rubber stockpile by selling 200,000 tons to the trade. This suggestion was, however, denied by the U.S. General Services Administration in Washington which pointed out that it could not sell such a large amount from the stockpile without the approval of Congress—which has to be given six months' notice of intention to sell.

Mr. Collyer's suggestion had depressed the Singapore market because of fears that such a move would seriously affect private traders in Asia. July first grade fell from 130 Straits cents per lb. to 125, and August from 122½ cents to 118. The wave of selling was, however, well absorbed at the lower levels and there was a big turnover. July first grade closed at 125½ cents.

ENDING SUGAR CONTROL IN U.K.

The British Government has introduced in Parliament a Sugar Bill which provides for the end of State trading in sugar and the setting up of a new Sugar Board. The object of the measure is to facilitate the reopening of the London Terminal Sugar Market. The new Sugar Board will be entrusted with certain statutory duties designed to ensure that the Government's obligations to Commonwealth producers under the Commonwealth Sugar Agreement are discharged under free trading. Its main function will be to buy, at the negotiated price, the sugar which the Government has contracted to purchase under the Commonwealth Agreement and to resell it in the country of origin at the current commercial price to refiners and other traders.

State control over sugar in the U.K. has been maintained not because of any shortages, which no longer exist, or of the need for a cushion against derationing,—since the heavy stocks of dollar imports have already been dispersed—but because it has afforded a method of giving the guaranteed price to the Commonwealth producers who, under the Commonwealth Sugar Agreement, provide the U.K., at a fixed price, with some 1.6 million tons of sugar out of the total annual domestic needs of about 2½ million tons. Further, the guaranteed price that is paid for this sugar and also the guaranteed price paid by the British Sugar Corporation to home growers of beet sugar, have been above the world price, and hence the retention of State trading has, as the London "Financial Times" points out, "meant simply that the Government could pay these prices and then, averaging out with the balance of sugar bought at the world price, resell to the trade at common price to cover its average costs."' Apart from removing the artificial home price (which has been unrelated to world price movements), the decontrol decision reconciles freedom with the guarantees to Commonwealth and U.K. producers.

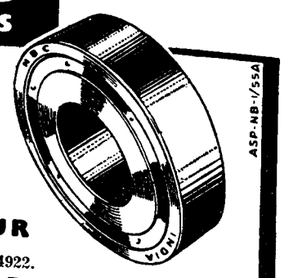
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(This is not a Prospectus but only an Announcement. THE Prospectus has been prepared and filed with the Registrar of Joint Stock Companies, Gwalior, and a copy thereof can be inspected at the Registered Office of the Company on any working day during business hours.)

(CONSENT of the Central Government has been obtained to this issue by an Order of which a complete copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.)

(A Licence has been obtained from the Central Government for the establishment of a new Industrial undertaking for the manufacture of Soda Ash and Caustic Soda of which a copy is open to public for inspection at the Head Office of the Company. It must be distinctly understood that in granting this licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed with regard to it.)

THE JIYAJEERAO COTTON MILLS LTD.

(Incorporated under the Gwalior Companies Act 1 of Samvat 1963)

SHARE CAPITAL:

Authorised:		Issued & Paid-up	
5,25,00,000/-	divided into 3,50,000 Ordinary shares of Rs. 150/- each.	4,63,65,300/-	divided into 3,09,102 Ordinary shares of Rs. 150/- each.
2,00,00,000/-	divided into 2,00,000 Cumulative Redeemable Preference shares of Rs. 100/- each.		
7,25,00,000/-		4,63,65,300/-	

There are no Founders' Management or Deferred shares.

LOAN CAPITAL:

The Company has no Debentures, Mortgages or loan capital outstanding.

ISSUE OF 1,00,000 5½% CUMULATIVE REDEEMABLE PREFERENCE SHARES OF Rs. 100/- EACH.

The whole Issue has been underwritten and of which 60,000 Preference Shares have already been agreed to be subscribed, which will be allotted in full.

40,000 Preference Shares of Rs. 100 each, payable Rs. 25 per share on application and Rs. 75 per share on allotment, are now being offered for public subscription.

TERMS AND CONDITIONS OF ISSUE

The Preference shares confer the right to a fixed Cumulative Preferential dividend @ 5½ per cent per annum (tax free) on the capital for the time being paid up thereon and in any year in which for any reason, whatsoever, there is no taxable profit of the Company and the dividend is distributed on the preference shares, in such year the company will pay the tax on such dividend. The preference shares will be redeemed at par on the 31st December, 1965. The Company will give 12 months' notice before the aforesaid date of redemption and interest will cease to accrue on the said shares with effect from the date of redemption, so notified.

The preference shares carry the right in winding up to repayment of the capital paid up thereon together with the payment of arrears of the said preferential dividend before any return of capital is made on the Ordinary Shares, but do not confer any further rights of participation in the profits or assets of the Company. The preference shares do not confer on the holders thereof the right to attend or vote either in person or by proxy or by attorney at any General Meeting or to any notice of meeting. The Company is at liberty upon any further increase of capital to issue new shares with any preferential, deferred, qualified or special rights, privileges or conditions attached thereto. But it is not proposed to issue any debentures until the present issue has been redeemed. The said preference shares shall be redeemable in accordance with the provisions of Section 105B of the Indian Companies Act, 1913.

DIRECTORS:

NAMES	ADDRESSES
1. Shri R. D. Birla	.. Birla House, Mt. Pleasant Road, Bombay 6.
2. Shri L. N. Birla	.. 3/1 Raja Santosh Road, Alipore, Calcutta.
3. Shri B. Kumar	.. 8, Royal Exchange Place, Calcutta.
4. H. H. Maharaja Fatehsinghrao Gaeikwad of Baroda	.. Laxmi Vilas, Palace, Baroda.
5. Shri Ram Babu Vaishya	.. "Sweet Cottage" Maharajbada Lashkar, Gwalior.
6. Col. Sardar D. K. Jadhav	.. Laxmi Vilas, Lashkar, Gwalior.
7. Shri Gordhandas Jadavji Ruparel	.. Canada Building, Home Street, Fort, Bombay.
8. Shri V. P. Menon	.. "Shelter" Cooke Town, 31 Wheeler, Bangalore-5.

MANAGING AGENTS

Messrs. Birla Brothers (Gwalior) Ltd.,
Baijal's Kothi, Morar, Gwalior.

AUDITORS

Messrs. S. R. Batliboi & Co.,
Chartered Accountants,
1B, Old Post Office Street,
Calcutta.

BANKERS

Messrs. United Commercial Bank Ltd.,
Messrs. The Bank of Baroda Limited.

REGISTERED OFFICE

P.O. Birlanagar, Gwalior.

HISTORY AND BUSINESS

The Company was registered in Gwalior as a public Company on the 9th August, 1921, and started the manufacture of cloth in the year 1923. It made steady progress and declared its first dividend in the year 1929. The dividend was steadily increased until 1948 when the Company was able to issue bonus shares in the proportion of 14 new Ordinary shares of Rs. 10/- each to the holders of one Ordinary share of Rs. 10/- each. The whole issue was then consolidated to make the face value of Rs. 150/- for each Ordinary share. Starting on a modest scale the Company has built up for itself an important place in the textile industry of the country. While the main manufacturing activities of the company are spinning of cotton yarn and manufacture of cloth and hosiery, the Directors of the Company are of the opinion that the time has now arrived to extend the Company's activities and they have accordingly decided after a careful survey to undertake the manufacture of Soda Ash and Caustic Soda at Porbunder in Saurashtra. The Company's Plant will be installed at Porbunder and will have a capacity of 100 tons of Soda Ash and 75 tons of Caustic Soda per day. The total consumption of Soda Ash in the year 1954-55 was approximately 1,42,000 tons of which 94,000 tons were imported. The consumption of Caustic Soda during the same period was 77,000 tons of which 49,000 tons were imported. The consumption is expected to further increase substantially by the end of the second Five-Year Plan. Porbunder offers a good site for a Soda Ash Plant as it has the twin advantage of having both salt and limestone, the principal ingredients, in abundant quantities and easy transport to the consuming centres. Part of the production of Soda Ash will be used for the manufacture of Caustic Soda in which field also at present the imports predominate.

URPOSE OF ISSUE

The proceeds of this issue will be utilised towards tting up of the Soda Ash Plant of the Company at orbunder. The necessary licence has been obtained om the Government of India and negotiations are in ogress with the Saurashtra Government for the quisition of suitable land and with foreign manufacrers for the purchase of plant and machinery. The aurashtra Government have promised all possible help id are expected to supply power at a very reasonable ite.

PPROVED INVESTMENT

The Preference Shares are an approved investment r Insurance Companies under Section 27A of the surance Act.

NDERWRITING AND BROKERAGE

The whole issue has been underwritten and the irectors are satisfied that the resources of the underriters are sufficient to discharge underwriting obliations.

The Company will pay brokerage at the rate of ne per cent to the recognized brokers or bankers on llotments made in respect of the application for Preerence Shares bearing stamp of such brokers or ankers.

The underwriting Commission payable by the ompany to the said underwriters is 1 per cent on the ominal value of the Preference Shares.

INSPECTION

The copy of the Prospectus, Memorandum and Articles of Association, the Consent Order of the Controller of Capital Issues, Licence from the Central Government, to set up a Soda Ash Plant, the Original Report and Certificate of Company's Auditors as set out in the Prospectus and also the Contracts referred to therein may be inspected at the Registered Office of the Company at Birlanagar, Gwalior, during office hours until the subscription has been closed.

GENERAL

The subscription list will open on the 18th July, 1955, and will be closed on 25th July, 1955, or earlier as the Directors may decide.

The application forms for Preference shares may be obtained from and should be sent duly filled in and completed either to the Registered Office of the Company at Gwalior or any branch of the United Commercial Bank Ltd., or the Bank of Baroda Ltd., accompanied by payment in accordance with the instructions given thereon. The amount may be paid either in cash or by cheque or draft.

In case no shares are allotted, the amount received on application will be refunded and where the number of shares allotted is less than the number applied for, the balance of the application money will be refunded to the applicant.

RECORDS & STATISTICS

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Company Meeting

THE TRAVANCORE OGALE GLASS MFG. COMPANY LIMITED

UDYOGAMANDAL P. O.

Speech delivered by Sri S. Chattanatha Karayalar, M.P., Chairman, at the Twelfth Annual General Meeting of the Travancore Ogale Glass Manufacturing Company Limited, Manjummel, Alwaye, held on Saturday the 25th June, 1955.

Gentlemen,

I welcome you to the Twelfth Annual General Meeting of the company. The Directors' Report and the Audited Accounts of the company for the year have been in your hands for the requisite period and with your leave I shall take them as read.

From the audited statements of accounts, it will be seen that the company's working has resulted in a loss of Rs. 99,505 and it is the third successive year in which loss has been incurred. This is certainly disappointing to you as it is to us. Although part of the result is due to general market conditions, the major contributory factor with which I shall deal a little later is one which is controllable. As losses have become a recurring feature, it will be legitimate to enquire into the contributory causes and to find ways and means to overcome them.

In my speech last year I said that there was very considerable scope for improvement of production and production efficiency which could be achieved by a greater sense of co-operation on the part of workers with the management. I also said that in the then state of affairs, the future of the concern could not be regarded as very bright and that if labour did not wake up to its responsibilities and play its part in improving efficiency, their interests as well as the interests of the company would be in jeopardy. This I said on June 26, 1954; within 6 weeks, there was a strike on August 10, 1954, which continued for one month. Under the new agreement with labour, the production bonus scheme has been liberalised and incentive has been provided for better and efficient production. From the results obtained so far, I am constrained to say that the workers have not made efforts to take advantage of the additional benefits offerred under the scheme. Production efficiency has suffered a decline in spite of the efforts made and the incentives offered by the management.

The broad facts which stare us in the face are: recurring losses, deterioration in production efficiency and rise in the cost price of saleable product and fall in the sale price thereof. The losses incurred by the company during 1952, 1953 and 1954 are Rs. 61,644, Rs. 46,756 and Rs. 99,505 respectively. The production efficiency determined in terms of recovery has deteriorated gradually from 47 per cent in 1950 to 44 per cent in 1954. The cost price of saleable product has risen gradually from Rs. 1,235 per ton in 1950 to Rs. 1,424 in 1954 while the sale price has fallen from Rs. 1,315 in 1950 to Rs. 1,221 in 1954. These facts have a significant tale to tell regarding the future of this company and of the employees including workers. The situation in the Glass Industry as a whole presents the same broad features. Out of 119 Glass Factories in India, 44 have closed down in recent years, owing primarily to recurring losses brought about by rising cost of production and falling prices of manufactured goods. While the price level of goods in the market is dictated by general economic factors, the cost of production is a factor over which some control is possible. This can be effected by improvement of production efficiency and by adjustment of demand of workers to the capacity of the industry to pay. It is exactly in these respects the Trade Union leaders have to exercise their wholesome influence. As I said last year, the deterioration in efficiency of production is not due to intrinsic inefficiency on the part of labour, but due to extraneous influences. To my mind it occurs that wrong leadership is responsible for these influences. There is a growing disposition on the part of leaders to regard trade union rights as giving them so many chances to start agitations instead of looking upon them as remedies for real grievances. In other words, these rights are the starting points for the agitation and the process of exercising the rights in the event of grievances arising is reversed. This is an entirely erroneous attitude to take and is responsible for the ugly scenes being enacted in almost all concerns. This creates a vicious circle which must be ended in the interest of the economy of the country. Leadership is unmindful of the interests of the industry or of the community or of the country's economy. The leaders are either obsessed with the notion that more and more may be extracted with less and less work or are totally ignorant of the implications of their programme and policy. In either case, the interests of the industry are in jeopardy and workers will have to pay dearly for their attitude. The root cause of the trouble seems to lie in the introduction of the outside element in trade unionism which desires only to entrench itself in political and economic power. The outside elements cannot justify their existence, if their services are not requisitioned at all times. This mental attitude of the leaders complicates the situation and is responsible for the industrial unrest which is witnessed today. The economy of the country is being disrupted by the subtle influence exercised by wrong leadership. It is high time that the democratic idea underlying trade unionism were exalted and the totalitarian ideal enshrined in outside leadership were thrown overboard by legislation. I would make an appeal to the worker members of unions to assert their inherent rights and free themselves from the overpowering influence of the so-called leaders. Such a move will be to their own benefit and secure the stability of the economy of the country.

If labour does not tighten its belts and awake to their obligations and responsibilities and help to set this company on a stable foundation, I fear that this company cannot continue to function long and if such a contingency should overtake this concern, the workers will be the worst sufferers and they will have only to thank themselves for it.

The industrial development of the country has to be viewed primarily from three angles, viz: the eco-

nomy of the country, the interests of the investing public and the interests of labour. All these interests must be harmonised and co-ordinated by the parties concerned. But there has been an unfortunate tendency among Trade Unions to look at the problem from one angle only in absolute disregard of the other points of view. This insular view sponsored by leadership is leading to catastrophic results damaging the economy of the country. The overall aim of the industrial policy is to secure maximum production with a view to raising the standard of living of the people. This is the direction in which the energies of all parties should be concentrated. But it is being constantly instilled into the minds of labour by their leaders that more and more may be demanded for less and less work. This kind of unhealthy propaganda is creating a situation in which the industrial development of the country is being seriously hindered and retarded. The notion that the money income of labour can be raised indefinitely without a corresponding increase in output is not only intrinsically wrong but also constitutes an outrageous attack on the fundamental objective of national economic policy. It has therefore to be condemned as an offence against the State. The attempt to raise the standard of living will be frustrated at every turn if the general attitude of Union leaders continues to be what it is today.

The duty of labour is clear. They must think in terms of the interests of the industry, their interests and the interests of the country. They must put their heart and soul into their work and improve the production efficiency and consider that their prosperity is linked up with that of the industry. These are things which are within their control and if they do not exercise their will in these directions they will rue it before long. This is an appeal and a warning. I hope my appeal will not fall on deaf ears.

In the course of my speech to you last year, I pointed out that our product has to compete not only with products of Indian manufacture but also with articles imported from other countries which have attained a high degree of efficiency. I also emphasised that if this company were to survive as a productive unit, we have to build up our competitive strength by making our factory highly efficient, i.e., by greatly improving our productivity and if this could not be achieved the consequences would be disastrous to the company and to the workers. I would very strongly repeat the same observations and would conclude with the words of our Chief Minister, Sri Panampilly Govinda Menon at the opening of the Ammonium Chloride Plant at F.A.C.T. the other day: "It is my hope and wish that the management and labour will be fully alive to their responsibilities and continue to work in a spirit of understanding and good will and would spare no efforts to vouchsafe to the third partner in the industry—the shareholder—a fair return on his capital".

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
September 1954 ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348 8*	377.0	605.4	376.1	90.4	100.5	88.3	116.0
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.4
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	282.3	390.4	330.6	370.0	568.0	342.9	90.8	100.6	87.5	113.2
Week Ending										
4-6-1955 ..	276.7	386.2*	330.9*	371.0	574.8	340.6	90.8	100.5	87.6	111.9
11-6-1955 ..	277.3	392.2	329.1	370.3	566.2	341.0	90.8	100.5	87.5	112.5
18-6-1955 ..	284.9	393.1	330.1	369.3	565.3	343.9	90.8	100.5	87.5	113.9
25-6-1955 ..	288.7*	389.9	332.3*	369.5	563.2*	345.2*	90.7	100.8	87.7	114.3
2-7-1955 ..	299.0	399.7	333.1	369.5	567.6	350.9	90.9	100.7	87.6	115.6

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
954 July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
955 January	335	358	210	132	324	372	370	126	333	141	136	134
February	329	345	207	128	310	384	361	126	326	137	135	131
March	324	340	205	127	310	377	360	129	321	133	133	130
April	324	340	200	126	311	352	353	130	314	129	129	—
May	320	336	204	122	—	335	—	—	—	—	—	—
June	—	—	—	—	—	347	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 16-7-1955			9-7-1955			2-7-1955			25-6-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
ld (per fine tola) ..	94-13	93- 8	94- 3	94-13	93- 6	93-13	94-11	93-6	94- 1	94-15	93- 4	94- 1
ver (per 100 fine tolas)	162- 4	158- 7	160- 8	164-12	158-10	160-13	159-15	157-8	158-13	157-10	155- 9	157- 1

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92·53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
December 1954	1,198,02	22,22	1,220,14	40,02	657,15	697.17	57.13	105,32	417,75	1,220 24
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56 33	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339.85	40,02	661,98	702,00	52.39	104,14	533,71	1,339.85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340.03
Week Ending										
3-6-1955	1,324,95	14,30	1,139,25	40,02	652,04	692,06	51.68	103.55	543,65	1.339,25
10-6-1955	1,331,28	8,23	1,339,50	40,02	652.04	692.06	51.67	103,80	543,65	1,339.50
17-6-1955	1,321,23	19,05	1,340.28	40,02	652,04	692,06	51.64	104,58	543,64	1,340.28
24-6-1955	1,310,79	30,30	1,341,03	40,02	652,04	692,06	51.60	105,39	543,64	1,341,09
1-7-1955	1,312,72	28,58	1,341,30	40,02	652,04	692,06	51.60	105,60	543.65	1 341.30
8-7-1955	1,321,64	19,15	1,340,79	40,02	652,04	692,06	51.62	105,08	543,65	1,340.79

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19.84	81,58	7,61
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27.00	80,25	9.95
Average of Fridays														
December 1954	63,53	12,33	69,12	34,44	179,42	21,44	216,86	22,50	7,28	72,79	1,73	16,91	80,33	9,31
January 1955	53,95	15,50	61,48	34,91	164,95	20,95	196,89	15.19	3.44	74,98	2,01	19.23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189.13	12,72	2,71	68,78	1,68	21,98	67,22	14,69
March ,,	58,81	37,71	47.51	21,84	165,87	29.53	205.45	12,54	8,59	70.73	95	42.26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32.79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,9	17,90	48,89	22,08	141,84	38,25	190.08	15,28	11.46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
Week Ending														
3-6-1955	52,21	14,75	46,72	21,88	135,56	41.79	187.35	14,41	12,24	60,03†	80	29.40	40.74	29,73
10-6-1955	55,35	11.58	48,95	21,68	137.57	42.28	189,85	8.34	14.09	66.11†	1,36	29,63	40,52	29,81
17-6-1955	57,15	11,79	49.88	22.15	140,98	45.25	196.26	19,20	14,03	64.60†	1,05	28,61	39,04	29,73
24-6-1955	57,83	11,21	54,52	21,84	145,40	45,88	201,29	30,46	10,75	63,93†	80	26,80	37,90	30,65
1-7-1955	58,96	12.34	46,14	35,70	153,14	30,04	193,17	28,69	11,96	61.86†	91	37.20	46,55	6,01
8-7-1955	84,07	17,67	46,87	14,90	163,51	28,76	202,26	19 25	9,96	63,32†	86	41,69	61,24	5,94

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.76	523,59	22.81	61.77	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
January 1955 ..	576,31	368,39	945,19	32,83	60,31	9.85	476,93	78,24†	58.74	351,33
February ,, ..	585,47	370,53	956,00	33,16	49,63	8.58	494,74	84.46†	60.58	354,09
March ,, ..	578,19	375.11	953,30	32,95	46,16	8.27	509,93	102.47†	64.20	346,25
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507 25	119.49†	64.74	343,27
May ,, ..	585,70	386.37	972 07	34,64	47,08	8 41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394.62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346.47
Week Ending										
10-6-1955 ..	592.19	393,06	985,25	34,61	48,64	8.45	501.09	116,78†	64.51	344,87
17-6-1955 ..	594,23	394.97	988,19	34,04	48,08	8.31	498,06	114,41†	64.05	345,95
24-6-1955 ..	602,56	393,74	999,29	34,27	52,45	8.68	498,43	111,38†	63.07	346,56
1-7-1955 ..	600,72	397.91	998,63	35,59	47,26	8.30	508,88	108,83†	63.40	350,46
8-7-1955 ..	593,87	399.58	993,45	34,37	45,71	8.06	505,95	110.44†	63.83	358,55

* Undivided India.
† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

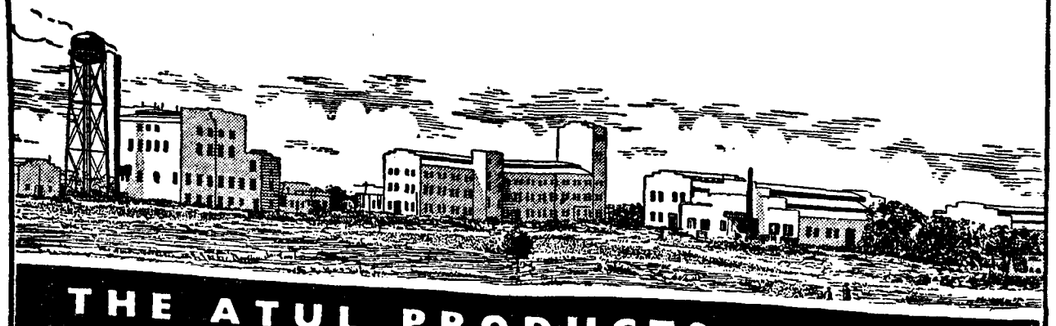
Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
April 1954 ..	1,814,92	1,242,54	602,38	558,05	44,33	−1,43
May ,, ..	1,810,54	1,229,31	601,23	563,56	37,67	−14,38
June ,, ..	1,798,01	1,199,85	598,16	564,99	33,17	−32,53
July ,, ..	1,769,96	1,167,95	602,01	568,64	33.37	−28,05
August ,, ..	1,764,85	1,159,94	604,91	577 98	26,93	−5,11
September ,, ..	1,767,40	1,166,93	600,47	576,01	24,46	+2,55
October ,, ..	1,791,02	1,179,19	611,83	579,08	32.75	+23 62
November ,, ..	1,801,96	1,182,56	619,40	591,39	28,01	+10,94
December ,, ..	1,843 23	1,218 99	624,28	597,20	27,08	+41,32
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+29,19
February ,, ..	1,910,42	1,267,42	643,00	610,04	32,96	+37,95
March ,, ..	1,974,71*	1,305,54*	669,17*	599,20*	69,97	+64,29*
April ,, ..	1,998,80*	1,338,96*	659,84*	613,86*	45,98	+24,09*
May ,, ..	1,985,51*	1,334,74*	640,77*	616,65*	24,12	−13,29*

* Provisional.

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The Private Sector and the Plan

XPECT nothing and you shall be gloriously surprised. Something like this proverbial rprise was achieved at the meeting of the ntral Advisory Council of Industries held in w Delhi last Friday. It might be safely stated at there has been no meeting in recent years New Delhi which has been characterised by much good sense, moderation in statement and many sound practical decisions as were con- ned in the proceedings of this Council. On Government side, Mr. T. T. Krishnamachari, ister of Commerce and Industry, made a ch-needed statement on industrial policy ich might be assumed to be final so far as the rency of the second Five-Year Plan is con- ned. It is known that this declaration of policy with its emphasis on non-nationalisation had the prior approval of the Prime Minister and is not an individual statement. The Finance Minister who was present throughout the session showed himself deeply interested in the difficulties of industrialists and conveyed the impression, which had been absent for some time, that he was as interested in providing finance for the private sector as he was in providing "resources" for the public sector. General approval was communicated to a document which sets out in some considerable detail the place to be assigned to organised private industries in the second Five-Year Plan.

This was a heartening document, not least because it was prepared with that attention to

detail in each industry which is so conspicuously absent in the plan-frame. Largely because of a sound secretariat blueprint, there was reached almost without controversy a unanimous decision on a course of action, thus in one great sweep bridging the gulf between the private and public sectors which has grown ever since the plan-frame made its appearance some months ago. There are good reasons why the private sector should be gratified at the new place that has been assigned to it in the organised industrial sector. While the plan-frame seemed to envisage an investment of only about Rs. 200 crores in this sector, the figure now mentioned "for the private corporate sector other than coal, sugar, and small-scale industries" is to be of the order of Rs. 750 crores. Details have been given in supporting papers for a figure of about Rs. 650 crores and it is stated that "plans for heavy machinery and machine-tools which are not yet complete are to cover a provision of Rs. 60 crores while a provision of Rs. 40 crores is to be made for nylon and similar products".

The fact that the private sector has been assigned a considerably larger place than seemed possible after the plan-frame implies no more than that the original plan-frame targets were hopelessly biassed. Just as the transport targets of the plan-frame when they came under scrutiny in the Ministry of Transport were proved to be out to the extent of 60 to 70 per cent, so it has come about that the targets of the plan-frame when examined in terms of private industrial projects have proved to be out by something like 300 per cent. In other words, the Ministry of Commerce and Industry, following hard on the heels of the Ministry of Transport, has found it necessary to arrive at a totally new figure for the areas of development for which it considers itself responsible. This is the second large breach in the plan-frame; all the initial indications are that it will widen as time proceeds. This time the private sector wins but that is, so to speak, an accident. It will be remembered that on the last occasion the beneficiary was a public authority; this is not a battle between the sectors.

However, there is good ground for the private sector to strengthen its position. This arises from the fact that the public sector, which, as was decided last Sunday by the National Development Council, is not to reduce its expenditure below Rs. 4,300 crores, has not the apparatus at the present time to spend this figure or anything near it in wholly public operations. While, therefore, a financial provision of Rs. 4,300 crores will need to be made in the public sector, not less than 50 per cent of this expenditure will involve orders placed upon the private sector, in much the same way as orders for railway wagons are placed on fabricating units and engineering construction companies in Calcutta. Thus it would appear that the figure for investment suggested by the Central Advisory Council of Industries last Friday is an adequate measure of the volume of business which the private organised sector will need to handle. Taking both the strictly private sector and the orders which the public sector will need to place on the private sector into account, it is doubtful if additional output in the organised private sector arising from the second Five-Year Plan will be less than Rs. 3,000 crores over the whole planning period. In other words, it is likely that the organised private sector may be handling work of an additional order of something like Rs. 600 crores a year. It will be thus working at pressure considerably in excess of the pressure at which it worked during World War II.

This figure is a cause for satisfaction but not for jubilation, and certainly not for any complacency. While the private sector is better equipped than the public sector for making prompt decisions and for implementing them when it has the resources, there is considerable doubt as to whether those resources can be readily applied at the present time on the scale that is required. This is largely because of the very large bottleneck which railway transport entails. The virtual doubling of industrial production in a matter of five years cannot be achieved unless the outlook on transport is radically different from what it is at the present time. To make a financial provision for the expansion of transport within five years is by no means to imply that adequate transport will be available in any of the next five years. If transport is not available, production which is dependent on such transport will not be available. While, therefore, there are many people who are quite convinced this week that the organised private sector can fulfil all its obligations under the heads assigned, there are factors outside the competence of the private sector which may justify the judgment that under present circumstances it may be biting off more than it can chew. This is no argument for the public sector in place of the private sector. It is an argument for realistic understanding of the limitation transport places on both sectors. It is vital that the private sector should not be led into the false belief that it can have all the public transport that is necessary for the job. That will never be the case; private transport will have to become a major industry in the Plan. If this can be arranged, things may be better than they look.

The private sector has now both an opportunity and a challenge. The opportunity to the private sector to develop at a rate considerably greater than in the first Five-Year Plan has been given. The Government of India has thus kept faith. But giving an honoured place to the private sector will not alone do the job. Again, finance alone is not enough. An assurance has been given by the Ministry of Commerce and Industry that resources up to about Rs. 100 crores might be made available through the National Development Corporation and other loan agencies so that the Plan for the organised private sector will not fall down because of finance. So long as transport is covered by doubt, the whole Plan is affected. The result is that, while a spacious opportunity has been held out before the private sector and neither politics nor finance will stand in its way, one essential public requisite has still not been underwritten.

To point out that, in some respects, uncertainty will continue to prevail does not imply that in the last week there has not been a tremendous advance in the practical determination with which the Government of India is proceeding. Business men all over the country have taken fresh heart. There is good cause for optimism even while disquiet on the Companies Bill is extending. The Government of India is acquiring in this phase of planning a sound practical and pragmatic approach which was missing at the stage of theoretical formulation. Shrewd observers have noticed that the Government of India's second thoughts are always immeasurably superior to its first; here at least it is running true to form.

Final Court of Appeal

THE major item before the current session of Parliament relates to the Indian Companies Bill. It is a matter for some considerable misfortune that the place of the joint stock idea in economic development in other countries is very inadequately appreciated in India. It is still more unhappily true that Members of the Indian Parliament have been drawn so little from business circles that both Houses reflect very inadequately the limited commercial experience that the country has on the eve of its great development plans. The Indian Companies Bill thus meets with a double handicap. It has been framed in a manner which shows extensive application of good intentions misapplied, largely because of inadequate appreciation of the practical details which are so necessary to sound and appropriate implementation. Secondly, the Bill itself has not been adequately revised at the Select Committee stage and is now being placed before a House which can only see the Bill's provisions in vague general terms. It is widely believed, as a publication of the Congress Parliamentary Party makes clear, that the issue is one primarily concerned with the distribution of economic power and wealth. The Indian Companies Bill has unfortunately been made to look as though it is part of the battle for a "socialistic pattern of society".

Because this is an entirely mistaken view of the purpose of Company legislation, 'The Eastern Economist' has judged that this an appropriate opportunity for launching on a Special Supplement dealing exclusively with one subject. This issue of 'The Eastern Economist' contains the first blue supplement, a feature which it is proposed now to continue in the last issue of each month. It is hoped that readers of 'The Eastern Economist' will find here in a central place a fair and just statement of problems of policy on the issue discussed. But the present Supplement is addressed not only to readers of 'The Eastern Economist'. It is addressed more particularly to Members of the Indian Parliament. They constitute at the present time the final Court of Appeal.

'The Eastern Economist' is full of optimism on the working of democracy in this country. It is, indeed, full of optimism on the working of the Indian economic system which has given us in the last three years a rate of economic progress, particularly in the field of organised private industry, which is one of the highest in the world. The disqualification that so few people in Parliament understand, or are interested in, commercial intricacies has hitherto not been a major disadvantage weighing down the dynamic factors in Indian economic progress. There is no need to be pessimistic. The Indian Parliament has conducted itself with dignity and honour and has won for itself an assured place for moderation and good sense throughout its current existence. There is no reason to believe that if the issues are fairly put to it today, it will fail to recognise that the interest of a nation always stands above the interests of a party or the loves or hates of any group.

The vital issue is not whether power is now concentrated in the Managing Agency system which is, in any case, doomed to die. That decision has already been made and must be loyally accepted. The question is not whether there are abuses in the existing administration of Company Law; there most certainly are, and these abuses need to be corrected. The question is whether the need for adjusting the Managing Agency system and correcting the abuses of Company Law should be made an occasion for a wholesale attack on the active elements of India's economic system. The danger is not that we will be slow to correct bad. The danger is that we may strike at the good much more than at the bad and might in fact empty the baby with the bath.

In commending, therefore, the studies which have been made in this first "blue" supplement of 'The Eastern Economist' to Members of the Indian Parliament, 'The Eastern Economist' makes only one request and that is, that the views presented should be read and read with care. It is impossible to get any understanding of a piece of complicated legislation of this kind without going through it section by section. But it is not every section that is important; an attempt has been made to direct attention only to major mistakes made in a piece of voluminous drafting which has greatly exceeded the capacity of the men who have been assigned this task.

The danger is that a very heavy price will be paid for these mistakes if they are not now corrected. For the rest the Representatives of the People must be trusted to rid themselves of all bitterness and political rivalries at this time of national development. Anger and hate and jealousy are all bad counsellors, however justified they may seem to be in individual terms. There is privilege certainly conferred by wealth and economic power; that should be abated, where possible, consistently with the national interest. But privilege is sometimes related to effort and national service. One must separate the chaff from the grain. Let the chaff burn, but let the riches of the nation be conserved for all.

A Truce to the Cold War

LAST week's Big Four conclave at Geneva should rank high as a landmark in international relations, if not for anything else, at least for bringing face to face the summit figures of the two opposing blocs, for "unloosening" the rigidity characterising post-war diplomatic relations, and for transforming, in a matter of six days, the air of bitterness and suspicion of the past eight years to one of peaceful and friendly negotiation. For once both the free press of the U.S. and the fettered press of the U.S.S.R. are harping on the same tune; both acclaim the agreement and express

faith in negotiated peace. All this is no mean achievement. The final agreement arrived at serves to end the cold war between the East and the West and to rebuild the war-time alliance of the Great Powers on a peace-time basis. It provides a telling commentary on the futility of long-distance recriminations and the utility of personal contacts.

From the very start, a return to stark reality was visible at the conference—a situation impelled by the realisation, on both sides, of the horrors of a nuclear war, although, strangely enough, this was not openly mentioned during the meetings. The hydrogen bomb, Mr. Eisenhower has truly said, has made war impossible; and the U.S. and the U.S.S.R. know only too well that it is they who possess these terrible weapons which give rise to the fear of a surprise attack and the overwhelming tragedy that is bound to follow. No wonder, then, the Geneva scene was dominated by America and Russia, the U.K. and France playing a relatively secondary role.

The conference prudently limited the goal of the work that the Big Four had to tackle, omitting, for instance, Formosa and China. The problems at stake were three, namely, German reunification and European security, disarmament, and East-West contacts. In getting into grips with these questions, President Eisenhower came out with an auspicious assurance that the U.S. would never wage an aggressive war against anyone, not excluding Russia, and this was immediately reciprocated by Marshal Bulganin who remarked significantly: "I believe you." However, the nature of the issues permitted no easy solution. The Soviet proposal envisaged the conclusion of a general European treaty on collective security in Europe instead of the formation of grouping of some European States bisected against other European States which, in his view, gives rise to friction among nations. He held that the establishment of collective security would facilitate the early settlement of the German problem through the unification of that country. In other words, Russia wanted European security to get priority over German reunification. It is this issue which proved to be the bone of contention and actually threatened to break up the conference. The Russians plainly fear that the emergence of a united non-Communist Germany would prove a dangerous counterweight to Soviet influence in the heart of the European continent and, having suffered the brunt of the Nazi war of attrition, they cannot contemplate with equanimity the effect of the fall of East German Communist regime on other satellites. But America insists on priority being given to German reunification on the ground that no security in Europe is possible until the German problem is solved first, and that any security plan without a German settlement is a "trap." On the other hand, a rearmed Germany, it is felt, will prove a bulwark against Russian aggression.

On the issue of disarmament too the divergence of opinion was sharp. Here again, the Russians were the first to put forward certain proposals. Marshal Bulganin proposed a two-point plan, banning all atomic and nuclear weapons, and withdrawing all foreign forces from European countries. The plan, he said, should begin with the "freezing" of NATO and its Eastern counterpart (the eight-nation grouping at Warsaw) and their eventual liquidation. The Western Powers knew how the plan, if implemented, would expose the European countries to the mercy of Communism, like the present "Peoples' Democracies". The plan was obviously unacceptable to the Big Three and a deadlock seemed inevitable when President Eisenhower, as if by way of a counterblast, threw a challenge to Russians to prove their sincerity by a bombshell proposal for exchange of military blueprints and aerial reconnaissance of the United States and the Soviet Union. There is little doubt that the Russians were taken aback at the bold and sweeping nature of the American proposal. However, they dismissed it as fantastic and impracticable, but their real dissatisfaction arose from their feeling that President Eisenhower was bypassing the basic issue of prohibition of nuclear weapons and the plan for disarmament which they had advocated earlier.

The directives issued to Foreign Ministers, who are to meet in October next, show that a compromise has been effected all along the disputed lines—a tactical move rendered inevitable to avoid a break-up. German reunification is basic to political stability in Europe, and it speaks much of the statesmanship of the men at the summit that a compromise was worked out which, while effecting a compromise on the goals vouchsafed, left the details to be threshed out at a later conference, and thereby were made acceptable to both sides. The Heads of Governments have rightly agreed that the settlement of the German question by means of free elections shall be carried out in conformity with the national interests of the German people and the interests of European security. The Heads of Governments have also agreed that the various proposals on disarmament, including President Eisenhower's offer to exchange military blueprints with Russia, should be discussed at a meeting of the U.N. Disarmament Sub-Committee in New York in August. The Foreign Ministers are also to study measures to bring about progressive elimination of barriers interfering with free communications and peaceful trade. The importance of bringing about a freer flow of ideas, information and population between the East and the West cannot be exaggerated.

Although an understanding on the means for further negotiation has been reached, there is no certainty yet of a final elimination of tension, for which the October meeting of the Foreign Ministers will have to work with tact and patience. Again, it will be idle to pretend that present-day world tensions will end even if the October conference resolves the European tangle. There are equally burning issues in Asia, the solution of which is so vital to world peace, such as recognition by the U.N. of the People's Republic of China and the question of Formosa. And yet the problems of East Asia, in which India has naturally a greater interest, were not discussed at Geneva. This is not said in criticism of the conference, for, had it tried to cover the Asian questions too, it would have simply courted failure. But it is a timely reminder that Herculean efforts will have to be made on foundations laid by the Big-Four heads if the world is to secure, within measurable time, a peaceful settlement of the outstanding difficulties both in Asia and Europe.

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A/55/5

THE WEEK'S NOTES

DEMARCHE ON GOA

THIS HAS been a week full of exciting developments over Goa. The meeting of the Congress Working Committee last Saturday provided the occasion for an important revision of Congress policy. While the Committee reiterated that there should be no mass entry of Indians into Goa and that the freedom struggle should be predominantly one for the Goans themselves, it has now accepted the thesis that the people of the rest of India as well as the Government of India should strive for the liberation of Goa. The implication is that the entry of individual satyagrahis will no longer be frowned upon. The Working Committee, however, has strongly insisted on the pursuit of peaceful methods by the Government and the people. This was the prelude to Mr. Nehru's statement in Parliament on Goa on Monday in which he traced the whole history of the Goa problem ending with the 'demarche' about the withdrawal of the Protuguese Legation in New Delhi. All these steps were warranted not only by the stupid obstinacy of the Portuguese Government but also by the increasing clamour in the country for stronger action, which the opposition political parties were quick to utilise against the Government. Simultaneously with this, train services to Goa have been stopped because it is suspected that the track has been mined and no assurances to the contrary have been forthcoming from the authorities in Goa.

These actions have helped the Government to reject the demands for stronger action made during the course of the short-notice debate in the Lok Sabha on Monday. But if Portugal persists in saying that there can be no peaceful transfer of sovereignty to India, the patience of the Indian people will be greatly strained though the Government is determined that India should not resort to force except for self-defence. The French parallel is generally overdrawn. France was, in spite of her political feebleness, a working democracy which could at least occasionally throw up a far-sighted leader with courage to do the right. Portugal is different and may persist in the folly of repression even when the bulk of the Goan population are demonstrably opposed to colonial rule.

MR. BUTLER'S NEW MIXTURE

THE VARIOUS restrictive measures which Mr. Butler announced this week to strengthen the British economy will not come as a surprise. Some indication of the deepening crisis of British prosperity was given even last February when the Chancellor of the Exchequer put up the Bank rate in order to curb spending and check the depletion of sterling area's gold and dollar reserves. Whether more severe measures were postponed due to the general election is a political issue which the Opposition will undoubtedly take up as Mr. Gaitskell has already done. But to the dislocations caused by overspending was added another—namely the disturbance caused by rumours about sterling which resulted in its weakening in the free markets. The purport of these rumours was that since Britain was committed to convertibility at an early date, it would help her to pay out less dollars for each pound—a queer argument which none the less did not die out as soon as it should have.

Mr. Butler's three-fold prescription on the present occasion attempts a more drastic remedy. There is firstly a restriction on hire-purchase credit for domestic goods like television sets, motor cars and washing machines—designed to check consumer spending and promote saving. Secondly, there is an attempt to restrict credit available for investment. Till now, only the high interest rate was a deterrent; hereafter banks will be asked to recall some of their loans, making business spending more difficult. As a token of the seriousness of the situation, it has been proposed to cut the outlay even in some of the nationalised enterprises like coal. Thirdly, Mr. Butler has scotched the rumours about convertibility by declaring that sterling convertibility is not contemplated now. If the dock strike had not made the position much weaker, British exports would have paid for imports. In the next few months, the replenishment of stocks run down during the strike would keep imports at a high level. Stringent as some of these measures seem, no responsible person has criticised them for going too far; on the other hand, it has been said that they do not go far enough. Interested opinion in India will mainly stress the fact that any step which strengthens the solvency of the sterling area is desirable. The days are gone when a common policy to stem inflationary pressures was deemed necessary for the whole sterling area.

A DISCREDIT TO DINH DIEM

REPORTS COMING in from Saigon seem to corroborate the allegation of Mr. M. J. Desai, Chairman of the International Supervisory Commission in Viet-Nam, that the attack on the headquarters of the Commission was deliberately organised. This deplorable move against the Commission seems to have had the sympathy of the South Viet-Nam Government which has now put forward lame excuses, when it is supposed to co-operate with and provide protection to the Commission. The attempt to arouse anti-Communist feelings might have been laudable in itself, and if such feelings had been aroused towards the closing phases of the Civil War, when the North was advancing forward and the South lay completely demoralised, it would have greatly enhanced Mr. Diem's credit. At present, however, it is being directed against a neutral Commission and amounts to nothing more than an attempt to sabotage the Geneva Pact, which saved the South from the complete chaos for which it seemed destined after Dien Bien Phu.

The three Western Powers have appealed to Mr. Ngo Dinh Diem not to stall the forthcoming general elections in Viet-Nam for unification of the North and the South. The contention of South Viet-Nam Government that it was not a signatory to the Geneva Pact has been shown to be without substance, because as a successor Government, it has an obligation to honour the commitments of the French. It is arguable whether the time is now ripe for free elections. If the Diem Government, which has accepted elections in principle, has genuine reasons to put forth for their postponement or for their being held under U.N. or other international supervision, it should have presented its case in a proper manner for consideration during the discussions. But, as in Korea, anti-Communist fury has been spent on peaceful neutrals rather than on the Communists, revealing a pattern of behaviour which tends to be uniform in such matters.

It may be difficult for the Supervisory Commission to function in an atmosphere of hostility, but such occasions were always on the cards. If the Viet-Nam Government shows further intransigence during the discussions with the north on the question of elections, the outcome cannot be entirely a happy one for those who wish to stem the Communist tide. It can reflect no credit on the Premier if he had been in sympathy with this mischief; if he had not been, the incidents show what little hold he has over his own followers.

INDORE INQUIRY

PRODDED BY public pressure, a brief and, what is termed as "arbitrarily made" summary is all that the Madhya Bharat Government has thought expedient to publish of the report of Mr. Justice Wanchoo on the Indore firings in July last year when about ten people were killed and nearly 200 injured. This may suggest that it is an attempt at hiding some undesirable facts about guilty officers in order to shield them. The contention of the Government that the report ought not to be published, because certain cases were pending in a court of law, may or may not carry weight. What is important, however, is that the very purpose of setting up impartial commissions of inquiry is defeated when their findings are not published in full for the general public to know and judge the facts of the case.

Whatever little the summary of the Wanchoo Report contains, indicates that there was considerable confusion and miscalculation on the part of the authorities during the troubles. The firing around the High Court, which was set on fire, is described as 'erratic and ill-directed' and at some other places as unnecessary and unauthorised. The view that any of the political parties had directed the disturbances is also discounted and the Government's plea that Sec. 144 was not promulgated immediately because of the procession consisting of students is not accepted as plausible. There was no justification for the students to strike or demonstrate on purely administrative matters; nor was their exhibition of hooliganism in destroying and damaging public property, excusable. The authorities have, however, a responsibility to act with patience and tact in all situations and their approach to the students should not have been based on rule-of-thumb.

MAYORS IN CONCLAVE

IN THEIR conference held recently, the Mayors of six major cities of Bombay, Madras, Bangalore, Ahmedabad, Poona and Calcutta, have drawn the attention of the Planning Commission to their common problems of slums, housing shortage and overcrowding and have sought financial assistance to implement development schemes of the cities included in the second Five-Year Plan. It has been argued that the revenue resources of the six city corporations, with a total population of 9 millions, aggregate to Rs. 20 crores, which cannot be increased further. In order to give practical shape to their development schemes which are beyond their resources, the corporations will need loans and other financial aid.

With the emphasis on industrialisation in the second Five-Year Plan, the urban population is bound to increase. It is, therefore, essential that some thought and action is devoted to the problems of these expanding cities, which are in a sad state so far as even basic civic amenities are concerned. The Prime Minister, during one of his visits to Bombay some time back, had also pointed to this urgent need. The public, on their part, have also to be enterprising and more cooperative. For instance, 'Chawls', the main dwellings of industrial workers, comprising some of the worst slums, have to be demolished. The obligation of providing the worker with better accommodation devolves not only on the employer, though it is refreshing to find that some of the mills have already taken the lead in this direction. In the first Five-Year Plan, local authorities have been slow to take advantage of the housing schemes in collaboration with industrial employers to improve the housing situation in cities. It is wrong to believe that they would have solved their problems once they get consent for an impressive figure of outlay. They have much to improve in their capacity to execute schemes which would make urban life more tolerable than it is today in some of the major cities.

THE PRACTICAL APPROACH TO PLANNING

DR. B. C. ROY'S approach to the problem of planning is that of the man on the spot on whom must necessarily devolve the responsibility of implementing specific schemes and projects comprising the plan. His exposition of the rationale of the practical approach, in the course of a public address which he delivered here last Tuesday, was in no sense dogmatic and, in fact, he stressed and conceded that broad principles and objectives must govern all planning, if implementation was to be effective and to proceed in the right direction. Planning had to take care of all the interests and sections of the population and there could be no successful achievement of the goals and targets fixed in the plan, unless a realisation was brought home to the people that the plan meant something positive affecting their living standards in concrete terms. That was the real way to carry conviction that it was a democratic plan and that was the effective way to enlist active co-operation of the people.

This basic approach made it imperative that there should be full consultation with the people at all levels before the targets are drawn up and this was the technique adopted in preparing the second Five-Year Plan for West Bengal. In this process of building from below, a large amount of pruning of local demands was inevitable, if total needs were to be matched to the available resources. But any practical plan had to maintain a reasonable balance between diverse demands. Dr. Roy fully recognized the claim of capital goods industries in the plan, but he stressed that a reasonable share had also to be accorded to consumer goods industries. An arbitrary statistical technique which sought to impose allocation of resources from above inevitably carried grave risk of imbalance in the plan which could not fail to impair its feasibility.

PLAN FOR PRIVATE INDUSTRY

AT THE meeting of the Central Advisory Council of Industries in New Delhi last week, members had expressed confidence that the private sector would be able to raise all the resources necessary for achieving the investment and production targets under the industrial programme for the private sector in the second Five-Year Plan. The draft outline of the Plan prepared by the Ministry of Commerce and Industry envisages a total outlay of Rs. 750 crores. It is considered possible that out of this total outlay Government may be able to provide Rs. 100 crores. The investment estimates relate to investment expenditure exclusive of expenditure on maintenance and normal replacement, but in the case of cotton textile industry, the total provision of Rs. 100 crores includes Rs. 38 crores expected to be spent on modernisation. It is expected that foreign exchange may constitute about 40 per cent of the total outlay.

An investment-output ratio of approximately 100:120 is said to have been obtained from industries other than iron and steel, for which plans have been prepared. If cotton textiles are excluded, the ratio is 100:110, the ratio for cotton textiles being 100:160. The investment-output ratios have been calculated as the relation between the investment in fixed capital and gross output. The ratios relate to new units established on an economic basis and working on the number of shifts usual in the industry concerned. They will be useful in indicating the turn-over that can be expected from a certain volume of investment, a measure taken into account by business men. The level of gross output that can be expected from planned investment is also significant in relation to the study of problems of money supply and prices. The employment estimates take into account only the direct permanent employment in the units concerned after the period of construction is over. Employment during the construction period and induced employment in ancillary activities are left out of account.

A Window on the World

THE DETERMINIST'S MOTHER'S CAT

By

ODYSSEUS

GLENDOWER:

At my nativity

The front of heaven was full of fiery shapes,

Of burning cressets; and at my birth

The frame and huge foundation of the earth

Shak'd like a coward.

HOTSPUR:

Why, so it would have done at the same season, if your mother's cat had but kittened.

William Shakespear.

Determinist philosophers see the world in the grip of vast, "inexorable, inevitable" forces, that sweep empires, nations, social orders or classes, on to their appointed destinies regardless of individual men and women, who are but specks, tossed hither and thither on the surface of the seething and unfathomable waters.

"Quite," says our professional objector drily from his safe position at the back of the class, "but what I want to know is what this high falutin' discussion is doing in the columns of a periodical that professes to serve the interests of practical business men whose primary pre-occupation is not the state of their souls but of their balance sheets?" The short answer is that if business men are as disturbed, as most of them profess to be, by the threat of Communism that looms over Asia, it is as well that they should understand the basis on which the creed which they reject is built up, and know something of the strong and weak points in the enemies' case.

Now there are many refutations of the Determinist creed, some of which have been outlined here before (a) on the philosophic plane in the series "Freud's Challenge to Philosophy" in March, 1954, and (b) on the economic plane in "Free Enterprise and Socialism" which occupied us between April 23, and July 9, 1954. This week I propose to borrow some points scored against the Determinist view of life from Mr. Isaiah Berlin's "Historical Inevitability" just published at 6/- by the Oxford University Press. It is, however, only fair to Mr. Berlin to say that he deals with the Determinist view as applied to the writing of history, and that I have chosen to quote him on what is for him but an incidental aspect of his broad theme.

Mr. Berlin recalls that Determinists are always urging historians in the name of science to avoid bias. What meaning have these exhortations, he asks, save on the assumption that to praise or blame, to seek to be just, is not irrational, that human beings deserve justice as stones do not? Yet once we transfer responsibility for what happens from the backs of individuals to the broad back of History (remember last week we cited Mussolini as exclaiming when he learnt the dire news of the landing of Allied troops at Anzio: "History has seized us by the throat!"), to institutions, civilisations, or concepts, such as the Dictatorship of the Proletariat, working out their destinies in foreordained revolutionary patterns, what can be meant by imploring us to avoid bias and to take care not to be unjust in the award of praise or blame?

RAIN SHOWS BAD JUDGMENT

Nobody accuses us of biassed accounts of geologic changes or of misplaced blame in describing the effect of the Italian climate on the agriculture of ancier Rome, because these are inanimate objects, like Vesuvius which cannot choose whether to blot out Pompe by an eruption, or are natural phenomena, like rai which notoriously is incapable of soaking only the un just. Can you be biassed against a volcano? It i true that people are often "angry" with the monsoor for failing, but the monsoon is an insensitive type anc shows no visible emotion in response. In spite of this it is among the inanimate or natural phenomena that the Determinist philosophers have classified men, by insisting that they are as helpless as volcanoes or monsoons in the face of natural laws or Impersonal Universal Forces, or of cataclysmic leaps from a lower to a higher stage when some great revolutionary "advance" is "due".

Many critics have said that Gibbon and Macaulay showed prejudice in their presentation of history: that they were unjust; that because they wished to secure our approval for one side, they therefore denigrated the other; they suppressed evidence inconvenient to their thesis in their anxiety to show that certain people whom they liked (such as Whigs) always acted better than others whom they did not like (such as Tories). We complain not merely of distortion but of the propagandist aims out of which these distortions arise.

But to speak of propaganda at all, let alone to assume that it can be dangerously effective, is to imply that man is not a predestinate object, designed to move in a groove, like a tram, but a human being capable of choice between right and wrong, and therefore open to praise or blame. You can broadcast misleading propaganda about the motives of a man but not about a tram. To insist, for example, that a just, and not a propagandist, account should be given of the events of 1857 is to imply a belief in individual responsibility, both in the free choice of the historical British or Indian characters described, and in the character of the historian who decides to emphasise this trait, because he thinks it particularly illuminating, or to ignore that fact, either as unimportant in itself or as unimportant to his purposes, just as, for example, in borrowing ideas from Mr. Berlin, I have decided that, for the purposes of this column, I need deal with only one or two of the innumerable treasures of thought that his booklet contains.

How great a degree of freedom one considers that the individual enjoys depends on one's reading of nature and of history, but it must be some degree—it cannot be nothing at all. And it is just this that is virtually denied by these historians and sociologists, steeped in metaphysical or scientific Determinism, who say that, in the last analysis, everything—or so much of it as makes no difference—boils down to the effects of race, or civilisation, or social structure, or class.

One of the deepest of human desires seems to be to find an explanation by which the whole of experience, past, present, future, can be made more readily understandable to the ordinary man by being seen to fit into a symmetrical pattern. But the moment that you assume the existence of a pattern, you get yourself into the whole series of illogicalities arising from the denial of individual personal choice. And it is pre-

cisely this that the Determinist philosophers, historians, and sociologists (like Marx) fail to realise.

ISAIAH BERLIN'S ENCHANTING VIEW

One of the results of this failure is the growth of an alleged "sociology of knowledge" which suggests that our methods, conclusions, and reasons for believing them, can be shown to be largely or wholly determined by the stage reached in the development of our class, group, nation, or culture, and this is followed by the fusion of these usually unconvincing but at least quasi-scientific doctrines with what Mr. Berlin pleasingly calls "such non-empirical figments" as the "Collectivist Spirit", or "The Contemporary Collapse of Values", or "Modern Man", or "The Last Stage of Capitalism".

These modes of speech, Mr. Berlin delightfully argues, have peopled the air with supernatural entities of great power, angels and demons who play with us as they will, and make demands on us which, we are told, we ignore at our peril. I am enchanted by Mr. Berlin's view that there has grown up in This Unsuccessful Age (as the late Walter Eucken called it) a quasi-sociological mythology which, in the guise of scientific concepts, has developed into a new Animism—more primitive and naive than the traditional faiths that it scorns and seeks to replace!

This new cult leads troubled persons to ask such questions as "Is War Inevitable?" or "Is Civilisation Doomed?" The way in which these questions are posed implies a belief in the occult presence of vast impersonal entities—wars, collectivism, doom—forces at large in the world, which we have but little power to deflect, except perhaps by propitiatory rites such as "joining the party", or jumping on the revolutionary bandwaggon, to ensure that we are on the right side when the inevitable catastrophe comes.

Sometimes these unseen powers are said to embody themselves in some titanic figure—Napoleon, Lenin, Stalin—who because they are "at one with their age", achieve superhuman results; sometimes they embody themselves in classes—the great capitalist combines which are said to work for ends that their members hardly understand themselves, ends towards which their economic or social positions "inevitably" drive them. Sometimes these unseen angels or demons embody themselves in huge inchoate entities called "The Masses", which do the work of History. Wars, revolutions, dictatorships, military and economic transformations, are thus conceived like the genii of the demonology of the Arabian Nights, which, once set free from the jars in which they have been confined for centuries, become uncontrollable, and capriciously play with the lives of men and nations.

Cowed and humbled by the panoply of the new divinities, men are eager for the comfort of the new sacred books (e.g. of Marx or Hitler) and of the new orders of priesthood (e.g. the Communist Party of India) which affect to tell them how to propitiate the spirits of the air. And the books and the priests do speak words of comfort: demand creates supply. Their message is as simple and as ancient as that of the Odyssey (I do not here refer to this column but to the writing of my well-known predecessor, Mr. Homer). In a world where such monsters clash, the discovery of new and terrifying impersonal forces may render life more dangerous but they do at any rate divest their victims of all responsibility—from all those moral burdens which men in less enlightened days used to carry with such labour and anguish.

Yet this is all very odd, for what are these spirits in the air? They arise from the application to the alleged science of sociology of empirical generalisations that constitute the laws of the natural sciences. But as we have seen, laws that apply to inanimate rocks and volcanoes do not apply to animate man.

Alas, I have no further space to borrow more ideas from Mr. Isaiah Berlin and can only urge you to read his rollicking and witty pages for yourselves. To be fair to you, I should utter the warning that his arguments are hardly bedside reading; on the contrary, they demand wide awake concentration. Nevertheless, they are ("in the last analysis" as the Determinists are so fond of saying) comprehensible even to the layman, like me. But don't get him mixed up and ask your bookseller for "Historical Inevitability" by Mr. Irving Berlin. He, as Sir Winston Churchill once discovered, is quite a different kettle of philosophy.

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NOTICE is hereby given that the Annual General Meeting of the Company will be held at the Constitution Club, New Delhi on Wednesday the 31st August, 1955 at 3-30 P.M. to receive and adopt the Directors' Report and Audited Accounts for the year 1954, to declare dividend, at 6 per cent (less income tax) on Preference Shares and at 5 per cent (without deduction of Income tax) on Ordinary Shares, to elect a director and to appoint Auditors and fix their remunerations.

Share transfer books of the Company shall be closed from the 16th August, 1955, to 31st August, 1955—both days inclusive.

Dividend would be paid to the registered shareholders as on 31-8-55 or their mandataries. Holders of scrip under blank transfer are requested to send in their shares for registration in the books of the Company as early as possible.

By Order of the Board,

J. B. JAINI,

Manager.

48, Daryaganj,

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22nd July, 1955.

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A DELHI DIARY

GENTLEMEN OF THE PRESS

A BOMBAY reader has encouraged me to be (foolishly?) persistent in my comments such as those in the last two Delhi Diaries on the Gentlemen of the Press. I have been pressed to "continue to analyse the serious disease growing in the Fourth Estate." My correspondent tells me that a very large number of people in India are as dissatisfied as I am with the reporting of the Prime Minister's tour. One or two of his informants, he tells me, have suggested that the choice of Press representatives was not as wide as it might have been, because of a double check at External Affairs and the U.S.S.R. embassy. I do not accept the view that those who went were not adequately qualified or that there was a heavily biassed initial selection. The results, however, were certainly not happy. It is no good blaming the Russians or External Affairs for this. This sin is our own.

In addition to the examples which I have previously quoted to show that either there was wilful suppression of facts or there was carelessness enough to permit of wholesale omissions in reporting, I now submit an instance which relates to the reporting of events in Geneva last week, which in my opinion, is inexcusable.

MISCHIEF IN GENEVA?

A leading Special Representative of a leading Indian daily paper reporting on the reception to President Eisenhower's proposals for the exchange of blueprints of military bases wrote as follows on the "satisfaction the West had in recovering the initiative on peace".

"This expression of triumph was implicit in the briefing given last night by the official American spokesman, Mr. James Haggerty who, after announcing the President's proposal with less than his usual objectiveness, paused slightly and said at slow dictation speed 'There is no comment yet from the Russians'.

"To another section of opinion in Geneva—and this was far from confined to Communists—the American offer was unfortunate because it was unrealistic and impracticable. It belonged to the realm of fantasy. Inasmuch as the Eisenhower plan was regarded as incapable of implementation it did no service to the cause for which the Big Four Conference assembled and they, on the contrary, had encouraged an amusing game of competitive argument. To say that the Russians have made equally fantastic proposals in the past does not alter the situation. This conference at any rate was being conducted with a large measure of earnestness until the Americans' peace explosion."

Mark the inimical slant in describing Mr. James Haggerty's announcement and the words 'unfortunate', 'unrealistic', 'fantasy' and mark the sentence, "Inasmuch as the Eisenhower plan was regarded as incapable of implementation it did no service to the cause for which the Big Four Conference assembled and they on the contrary had encouraged an amusing game of competitive argument", and "To say that the Russians have made equally fantastic proposals in the past does not alter the situation," and the words "peace explosion". Can there ever have been in the reporting of any great practical gesture for peace (since even the Russians have now accepted the American proposal as a basis for discussion) such supercilious contempt? If all the Big Powers consider a proposal worth considering why should an Indian Pressman describe it as 'fantasy' without a single reason for the word? Curiously the same Special Representative on the very next day altered his tone completely and said:

"Mr. Haggerty, President Eisenhower's Press Secretary, was the first to give the success news to the waiting world" and again,

"Earlier today Marshal Bulganin also agreed that the U.N. Disarmament Sub-Committee—the Big Four and Canada—be charged with the tasks of discussing proposals advanced here including President Eisenhower's dramatic offer to exchange military blueprints with the Soviet Union." I can only explain the action of this Special Representative in terms of good Marxian dialectics. He has become too attached a part of his own intimate circle.

It seems to me obvious that the Indian Press wherever it goes has now acquired a slant on the presentation of "peace" moves which accords not a little with the outlook of several officers of the Ministry of External Affairs. I go further and say that there is some correlation between the slant and the extent of contact which Gentlemen of the Press are afforded in the corridors of the South Block.

Most biases in human animals rise unconsciously. I am Marxian enough to recognise that economic bias is the largest of those which prevail in most occupations of the world; the bias of journalists is no exception. In India there have been particular factors which have tended to make the bias what it now is. In the first place, there are many senior Indian journalists who feel that they do not command in a Press, which is steadily losing prestige, the position they think their talents can command elsewhere. It is no secret that more than one senior member of the Press would like to change his job for a diplomatic assignment. Following from this desire it is but natural that the Ministry of External Affairs (which is, after all, the architect of diplomatic assignments) should acquire an influence over the seekers of office which is quite incompatible with the just and honest performance of interpretation of controversial international events. Added to the bias which comes from the desire for prestige and power there is quite frankly the pursuit of opportunities to go abroad. The choice of Press representatives to accompany the Prime Minister has been made in a manner which indicates that those unfavourable or those less favourable to the Prime Minister's interpretation of events in the Cold War or otherwise do not receive the same encouragement as those of whom the Ministry of External Affairs approves.

Gentlemen of the Press who owe a duty to the country which is greater than the duty to the Ministry of External Affairs or even to the Prime Minister will have to guard jealously their reputations which are likely to be jeopardised because of the temptations which the present situation places in their path.

I have implied in the last (three!) Delhi Diaries that there is an urgent need for an examination of conscience. I do not think the situation is one which is desperate in that the Indian Press has lost its capacity for independent judgment already. But I have heard in the last week so many criticisms of the Indian Press as being "servile" and "slavish" in its attitude towards authority that I would be failing in my duty if I did not say that there is enough of a suggestion of truth in the accusation for us of the journalistic profession to pull up ourselves sharp. It is our job to be taking the blinkers off others; are we not wearing some ourselves? In any case, there is no point in being complacent. Denmark is not the only country of which it has been said that there was something rotten there!

ARGUS.

Economic Report from the U. S.

COAL: A POWER SOURCE

(By Guy Sims Fitch)

CHARLESTON, WEST VIRGINIA, July 26.—Two ompeting American industries—one new and one old—re looking forward eargerly to the future. Up in lew York State last week, the nation's first atomically enerated electricity for commercial use coursed rough transmission lines, bringing the atomic age a ep closer. Down here in the coal regions of West irgina, the news was received with remarkable equnimity. For coal is making a comeback; no longer oes the spectre of the peacetime atom fill the hearts of iners with foreboding. So far this year, with the merican economy operating in high gear, coal output running 20 per cent ahead of last year. Industry fficials speak of turning out 440 million short tons this ear, compared with last year's 392 million. Immediately oticeable is the happier look of mining communities west Virginia and neighbouring Pennsylvania. In e past few years, as coal output skidded, more than 0,000 miners lost their jobs; others saw their work eek trimmed to two or three days. But now there e more jobs for miners, and the work week generally back to five and even six days. This means more oney in the bank for mining families and more to end in their communities. The average union miner rns a basic daily wage of $18.35. With overtime ork, which is becoming more frequent, average earnngs are close to $20 a day. Employers, moreover, ntribute 40 cents per ton of coal produced to the zable welfare fund of the United Mine Workers nion.

An annual output of 440 million tons is still a far y from the record 688 million mined in 1947. But ine operators are confident that within a few years al will be starting a long upward swing that can rry it to an annual output of 1,000 million tons by 75. They point out that recoverable coal reserves the United States, estimated at nearly 800,000 million ns, far surpass the nation's known reserves of oil gas. As time goes, industrial plants and electric ilities may have to rely increasingly on coal as a wer source. Coal already produces half of all U.S. lectric power, and in the past year has been outgaing its competitors as a fuel for generating electricity. oreover, the nation is growing economically at a henomenal rate. The electric utility industry expects double its present output by 1965, and to triple it y 1975. Increasing activity in such other industries steel, aluminium, cement and chemicals also will oost demand for coal, in both power and non-power pplications.

On top of domestic consumption will come rising emand from abroad. Coal already is feeling the imact of expanding economies throughout the world. he industry expects to export nearly 30 million tons his year, compared with less than 16 million last year. ut the coal industry is not just waiting for its golden ge to arrive; it is working to bring it about. Investnents in new machinery are running some 40 per cent head of last year. Productivity in the nation's coal ines already has gone up from a 1946 average of 6.3 ons mined per man-day to 9.5 tons, with some highly echanized mines getting as much as 28 tons. Equipnent makers, who have developed mechanical miners apable of working seams as narrow as 38 inches, see 00 tons per man-day as a distinct possibility.

The transportation problem, still a bottleneck in any mines, is being solved through the growing use of conveyor belts to move more coal out of mines more rapidly and to carry it longer distances from producing to consuming centres. Pipelines also are being planned as coal carriers. One such line soon may be transporting a mixture of coal and water 100 miles from mining properties in the State of Ohio to the city of Cleveland. As these improvements continue to bring costs down, coal will become more competitive for a wider range of uses. Among the reasons for the growing use of coal this year have been the price concessions producers have been able to make in the eastern and north-eastern parts of the country, where electric generating costs are relatively high.

Coal men concede that the peacetime atom will be a competitive power source in the years ahead. But they see large-scale generation of economic nuclear power slow in coming. Meanwhile, more coal-burning plants will be going up. By 1975, when economic nuclear power will be established on the American industrial scene, the economy will have grown so large, they say, that electric utilities alone will require 500 million tons of coal. If to this is added the potential demand from other expanding industries, it is easy to understand the rejuvenated optimism in the coalfields.

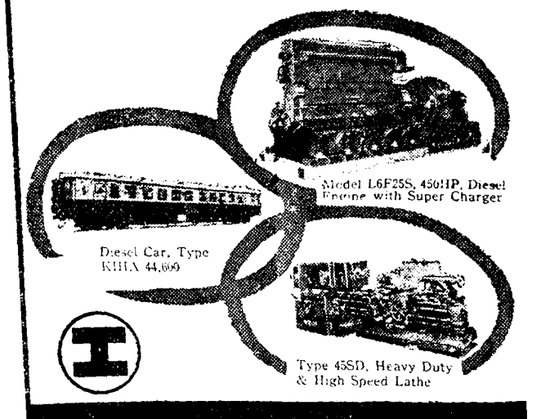
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WORLDGRAM

AGRICULTURE

Afforestation in Second Five-Year Plan: Afforestation of the great Indian desert, which extends from the Gulf of Kutch to the Rajasthan desert tracts, and rehabilitation of the ruined hills in the foothills of the Himalayas are among the soil conservation schemes during the second Five-Year Plan. The schemes will in all cost Rs. 30 crores. It is proposed to deal with tracts seriously affected by soil erosion and areas which are liable to both water and wind erosion. Several research stations have already been opened in different soil climatic regions of the Union to tackle the problems of deserts, ravines, black soils, hills and river-valley projects, and some more are likely to be started soon to cater for other soil regions.

*

Use of Agricultural Surpluses: The question of utilizing agricultural surpluses in countries like America, Australia and Canada for financing development programmes in underdeveloped countries was discussed at the recent F.A.O. meeting in Rome. There was general agreement at the meeting that the studies already made on the subject deserved to be pursued and that every attempt should be made to arrest unnecessary lowering of the price level in the producing countries and utilize the agricultural surplus of the World for financing development programmes in underdeveloped countries. This matter would be further discussed at the next Conference of the F.A.O. in October or November in Rome.

*

New Co-Operative Farms in Poland: New co-operative farms are being set up all over Poland. Small and middle holders are joining the existing co-operative farms. In May this year, eleven new co-operative farms comprising some 250 farmsteads, were organized in Cracow Voivodship. In addition, the existing co-operative farms were joined by some 100 new members. This year the co-operative farms in Szezecin Voivadship have admitted 760 new members. Peasants in Olszlyn Voivodship have organized thirty new co-operative farms. New co-operative farms are constantly being set up in Bydgrszez Voivodship, their number amounting at present to 1,070.

INDUSTRY

Seven-Fold Rise in India's Bicycle Production: An installed capacity for the production of 757,500 bicycles is likely to be established in India, when the schemes already licensed for additional manufacturing units and for the expansion of one of the existing units are completed. The total installed capacity at present is 437,500 bicycles per year. India's bicycle production has gone up by seven times since independence. As against a production of 48,827 bicycles in 1947 the production in 1954 is estimated at 350,000. At the same time there has been a steady decline in the import of bicycles. The number of bicycles imported in 1953-54 was 90,362 as against 264,392 in 1948-49. It is reported that the indigenous industry will be able to meet the increasing demand for cycles during the second Five-Year Plan.

*

Robot Driver for Tractor: An ingenous device has been invented in Britain which works diesel tractor without driver or supervision. Briefly, it consists of an arm fitted to the tractor's steering-gear, with a thin cord connected to a square reel mounted horizontally upon a vertical pole based on a skid. The pole is set up in the centre of the field to be worked. The tractor, is started from the centre and the pull on the cord causes the tractor to steer in a circle which increases in diameter as the cord unreels. On reaching the limit the cord begins to re-wind and the operation is repeated in reverse until the tractor reaches the centre again, when it automatically stops. A spring, hooked between the tractor steering rod and a point over the tractor axle, prevents the machine following an irregular course. Possible mishaps are prevented by control bumpers fitted to the front of the machine. A spring on a yoke, connected to the fuel control knob and hooked on to the tractor seat, immediately cuts fuel off from the engine if the bumpers come in contact with wall, hedge, or other obstacle.

*

Japan's Shipbuilding Programme: The Ministry of Transportation of the Japanese Government announced recently that its shipbuilding programme for the fiscal year 1955 (April 1955-March 1956) provides for the construction of between 185,000 and 189,000 gross tons of vessels: 68,000 gross tons of regular service freighters, 67,000 gross tons of tramp freighters, and 50,000—54,000 gross tons of oil tankers. For this programme, about Y11.4 billion, or some 80 per cent of the total required, will be loaned to the ship-building firms by the Government through the Development Bank of Japan; the remaining 20 per cent will be financed by the city banks. The Government will also extend loans of about Y4.8 billion through the Development Bank to shipbuilders to complete the shipbuilding programme of the last fiscal year.

*

New Iron and Steel Plant Project for Pakistan: The Pakistan Industrial Development Corporation and Germany's Iron and Steel producers Krupps are reported to have reached complete agreement over the question of jointly setting up an iron and steel plant in Multan district of Punjab (P). The PIDC are stated to have moved the Pakistan Government for approval of Rs. 60 crore schemes for the 250,000 plant.

*

Installation and Maintenance of Induction Motors: A draft Indian standard code of practice for installation and maintenance of induction motors for industrial use has been prepared by the Indian Standards Institution. It covers starting and control appliances associated with motors, is intended to assist the average user of industrial motors to ensure that the machines installed and maintained give the best possible service under conditions generally obtained in this country. Among the more important aspects dealt with in the code are general requirements, including conformity to Indian Electricity Rules, types of drives, inspection and testing, maintenance prcatices and design considerations. Five appendices to the code cover respectively rating of motor cables, recommendations for selection of drives, motor check chart as a ready guide for routine fault location, periodic maintenance schedule and recommended methods of wiring.

TRADE

Indo-Austrian Trade Agreement Extended: Letters were exchanged between the representatives of India and the Austrian Federal Republic at Vienna extending the validity of the Indo-Austrian Trade Agreement up to December 31, 1955. The existing Trade Agreement signed on December 9, 1952, as modified by an exchange of letters dated March 8, 1955, and now extended provides among other things, for the free importation into Austria from India of castor oil, coir, coir yarn, fibres for brushes and brooms, handicraft manufactures of ivory, brass, horn and brocade, iron ore, linseed oil, manganese ore, mica, myrobolams, shellac, spices, cashewnuts and tanned leather (cow, buffalo, kid and goat). The Austrian Federal Government will also consider favourably applications for import from India of cotton piecegoods, carpets (hand-manufactured) and coir manufactures other than coir yarn.

Taiwan's Foreign Trade: According to the Bank of Taiwan's exchange settlements data, Taiwan's foreign trade in the first quarter of 1955 showed a surplus of U.S.$12 million, compared with a surplus of $0.5 million in the corresponding period of 1953 and a deficit of about $8 million in the corresponding period of 1954. In the three months' period this year, total exports were $31 million, and imports about $19 million, excluding U.S. aid.

*

Brazillian-German Payments Pact: It is reported trade between West Germany and Brazil will in future be settled in limited convertible marks. The offset accounting system has been abolished in the Trade and Payments Agreement concluded in Rio recently. German officials see the pact as a first step in the setting up of a new multilateral payments system outside the European Payments Union. The system would comprise, Britain, Germany, Brazil and the Netherlands. Under the new system, according to German officials, Brazil will be free to use all of her marks earned for purchases in any of the other member countries and vice-versa. But there will be limitations in the use of these currencies elsewhere, and in particular, the use of them in the dollar area will be discouraged.

*

Swedish-French Trade Agreement: A Swedish-French trade agreement covering the period April 1, 1955—March 31, 1956, was provisionally signed in Stockholm recently. Certain increases, amounting to about Kr. 30,000,000 (£2,070,000; $6,000,000) concerning commodities which are still subject to French quota restrictions, have been attained for such Swedish export articles as wallboard, tractors, machine tools and office machines. New on the French list of quota allocations are road machinery, certain chemicals, etc. However, the French quotas for Swedish iron and steel have not proved acceptable to Sweden, and a clause providing for continued talks on this matter has been included in the agreement, this country claiming a right to the return of her traditional position as an important supplier to France of such goods. Sweden has also protested against the so-called temporary import duties imposed by France on paper, pulp, paints and laquers, etc. French imports are liberalized at 75 per cent, whereas Swedish imports are 90 per cent free. Mainly automobiles and certain agricultural products still remain among the French commodities now subject to quota restrictions in Sweden.

FINANCE

Rehabilitation Finance Administration: The Rehabilitation Finance Administration has sanctioned at its last meeting about 132 loan applications for a total amount of about Rs. 8.73 lakhs. Of these 90 applications were from Calcutta, 27 from Gauhati, 3 from Delhi and one each from Bombay, Lucknow, and Jaipur. Since its inception, the administration had till May 31, 1955, disbursed Rs. 956.59 lakhs as loans to displaced persons.

*

Customs and Excise Revenue: According to the returns received in the Department of Commercial Intelligence and statistics, the total gross sea and land customs revenue collected in the Indian Union during May 1955, amounted to Rs. 12.15 crores as compared to Rs. 12.17 crores collected in the corresponding month of the previous year. Of the total customs revenue collections, import duties accounted for Rs 10.16 crores as against Rs. 9.93 crores, export duties for Rs. 2.45 crores as against Rs. 1.98 crores and land customs and miscellaneous for Rs. 14 lakhs as against Rs. 26 lakhs. The total gross collection of Union excise duties amounted to Rs. 11.30 crores as compared to Rs. 8.49 crores. During the two months, April and May 1955, the grand total of gross customs and Union excise revenue realised was Rs. 47.16 crores as compared to Rs. 41.69 crores during the corresponding period of the preceding year.

*

World Bank Loan to Nicaragua: The World Bank made two loans totalling $7.5 million for the development of electric power in Nicaragua. The loans will help to finance the constructions of a 300,000-kilowatt thermal power plant in Managua, transmission lines to 15 outlying towns, and expansion of the distribution systems in Managua and the towns. The project will double electric generating capacity in Nicaragua and help to meet the demands for power in the Managua and Pacific coastal plain areas, the most populous and productive in the country.

*

International Finance Corporation: It is reported that the Union Government is studying the charter of the proposed International Finance Corporation transmitted to it by the World Bank. The Corporation when established will operate as an affiliate of the World Bank, and is designed to supplement the activities in association with private investors, to productive private enterprises in particularly less developed areas, without requiring a Government guarantee, in cases, where the necessary capital is not available from other sources on reasonable terms. The authorised capital of the Corporation will be 100 million dollars (Rs. 47.5 crores) divided into one lakh shares of 1,000 dollars (Rs. 4,750) each.

MISCELLANEOUS

Wind Power for Lift Irrigation: A Rs. 7-crore project for the installation of between 20,000 and 30,000 windmills in the windswept areas of the country is getting ready under the second Five-Year Plan. The windmills will be used for lift irrigation in small farms and gardens and also for providing cheap electric power in rural areas for the villagers' homes and for small-scale industries. A low-cost windmill using indigenous materials and adapted to the conditions of the country is being evolved by the Wind Power Sub-Committee of the Council of Scientific and Industrial Research. This windmill, in the construction of which bamboo and wood will be used to a large extent, will cost between Rs. 800 and Rs. 1,000. Imported windmills at present cost between Rs. 3,000 and Rs. 4,000.

*

Foreign Trade Institute in Israel: Plans for the establishment of a Foreign Trade Institute in Israel have been concluded. American technical experts working with the U.S. Operations Mission (USOM) participated in the discussions and gave valuable assistance in promoting the project and finalising the technical details of its future operations. The Foreign Trade Institute will be concerned with the developing of foreign markets for Israel's expanding industry and agriculture, especially in Asia and Africa. Simultaneously with the expansion of new industries and expansion of existing plants, it will undertake research into marketing possibilities. It will send agents abroad for the purpose of developing such markets and will deal with all matters which can contribute to increasing exports of Israel's industrial production.

*

Coal Mines Provident Fund Scheme Amended: The Coal Mines Provident Fund Scheme, as enacted in 1948, provides for the recovery of contributions only on basic wages of the employees. The working of the scheme has shown that contributions based on basic wages alone will be insufficient. The Government of India, on the recommendation of the Board of Trustees of the Fund, have now amended the scheme to provide that dearness allowance (including the value of food concessions in cash and in kind) should be reckoned as part of wages for purposes of contributions to the Fund.

NEWS IN BRIEF

INDIAN

It is reported about five lakhs of additional houses will be required for industrial workers in the private sector during the second Five-Year Plan period.

*

The Indian National Scientific Documentation Centre received 4,800 orders from, and supplied 3,021 documents to scientific institutions, universities, industrial concerns and individual scientists during 1954-55.

*

The Hindi Section of the Ministry of Education has so far prepared 30,526 scientific and technical terms in Hindi. Twenty-five Hindi books in children's literature are being prepared for children's libraries throughout India.

*

Though wheat in North Indian markets is bought at reasonable prices, it has not yet become adequately available in markets in the South. To meet this situation, Government of India have decided to release and sell wheat in the Southern Region from their stocks.

*

The Government of India is contemplating the manufacture of printing machinery in India. It is expected to ask some foreign experts to prepare a project report to start plans in the country in co-operation with Indian industrialists.

*

The National Research Development Corporation is considering a pilot scheme, estimated to cost Rs. 20 lakhs, to produce photographic films and papers in India.

*

A loan of Rs. 10 lakhs was sanctioned by the Centre to Delhi State during 1954-55 for the development of small-scale industries. The amount was to be disbursed as loans to cottage and small-scale industries.

*

The Government of India has allotted Rs. 1 lakh as loan and Rs. 15,000 as grant to the Family Welfare Co-operative Industrial Society, Ltd., New Delhi, for the establishment of a match factory at Delhi.

*

Schemes for production of long staple cotton in India are being considered by the Indian Central Cotton Committee, meeting at Bombay for a five-day session beginning July 25.

*

A five-man Indian textile team, led by Mr. C. C. Jhaveri, toured Colombo to make an on-the-spot study of markets, and to assess the extent of Ceylon's cotton textile requirements. Besides, the team was to study consumer preferences in the wake of changing dress habits and investigating other incidental problems, vital to the promotion of export of Indian textiles.

*

An official Indian delegation is scheduled to leave New Delhi for Moscow to study representative steel works in the Soviet Union and works producing metallurgical equipment, in terms of the agreement between the Government of India and the U.S.S.R. for the establishment of an iron and steel plant in India.

FOREIGN

It is reported increasing use is being made of natural rubber in road building in many countries and the attitude of road engineers to rubber roads has changed remarkably in the last two years.

*

Burma is likely to have a direct public radio telephone service to London and radio-telephone and radio-telegraph circuits linking Rangoon and Madras.

*

It is reported Venezuela has asked the United Nations Technical Assistance Administration for experts to help with huge public works projects there. A chief engineer from the hydro-electric services of Electricite de France has been designated to aid the Venezuelans construct a large dam on the Garoni river.

*

The General Electric Company of England is setting up a multi-million dollar industry in Canada which should enable Britain to earn dollars and thus be able to buy more from Canada.

*

The output of the Belgian spinning mills in 1954 showed an increase of 44 per cent over that in 1953, but fabrics production last year was 14.8 per cent lower.

*

The Thai Defence and Agriculture Ministries have announced plans for the establishment of a modern 15,000,000-dollar oil refinery in Southern Thailand near the Burmese border.

*

A modern flat-glass plant, capable of producing 6,000 tons (12,000,000 square feet) of window glass is being built at Inchon, Korea, by the United Nations Korean Reconstruction Agency, in co-operation with the Government of the Republic of Korea.

*

Already the largest exporters in the world of heavy commercial vehicles, Leyland Motors have formed a new company for the progressive manufacture in India of Leyland vehicles and diesel engines.

*

A Five-Year Plan for meeting housing shortage in Spain has been announced. The Plan envisages construction of 550,000 cheap dwellings at a total expenditure of £27 million.

*

The world mine production of tin during the first four months of 1955, was at an annual rate of 155,000 tons, the quantity actually produced in that period being 51,700 tons. The output during 1954 aggregated 169,000 tons.

*

With a view to curbing expansion of hire-purchase business in Australia, the Commonwealth Bank has asked all the trading banks not to grant any new or additional advances for hire-purchase or instalment selling purposes.

*

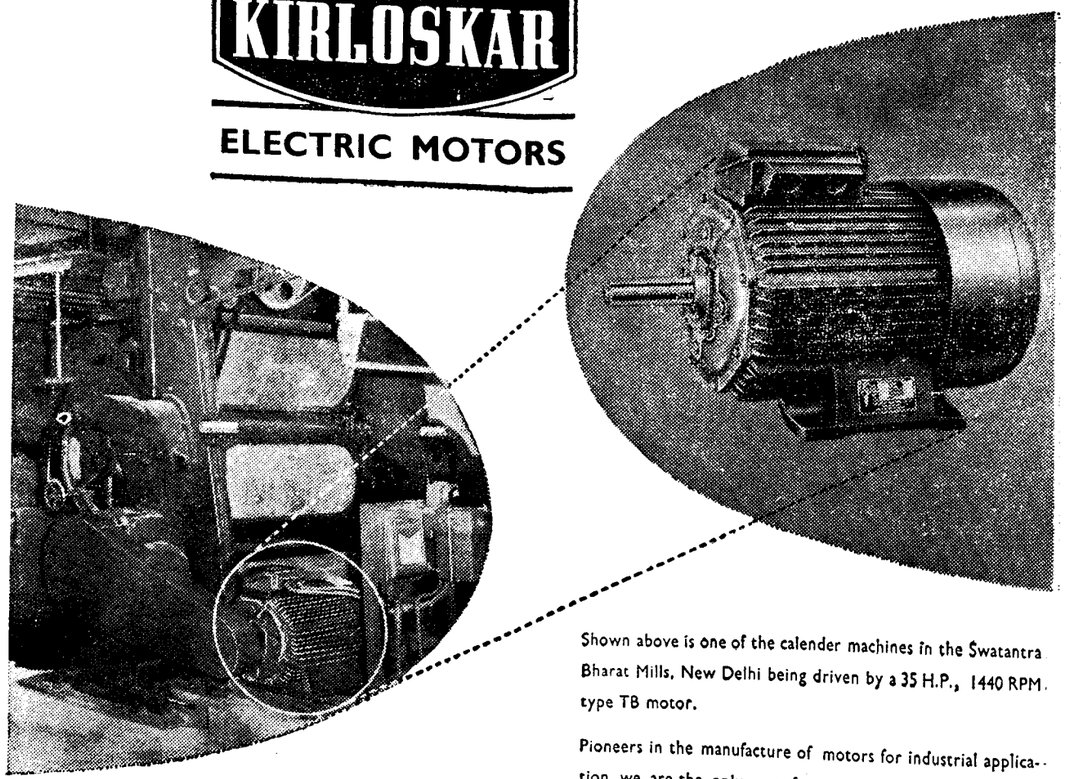
Nepal has been invited to send a representative on Ministerial level to attend the forthcoming plenary session of the Colombo Plan Consultative Committee to be held in Malaya.

*

Total credit in national and private savings institutions as on December 31, 1954, in France amounted to about 1,200 billion francs, or approximately 200 billion francs more than as on the same date in 1953.

Another Typical Installation

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Crude oil is not found everywhere in the world. Here and there it may occur in rocks that were once at the bottom of ancient seas and lagoons. But finding an old sea-bed is no guarantee that oil will be discovered there; *that* can be decided only by drilling a test well.

In some areas, likely clues to buried rock conditions may be found on the surface of the earth, but where surface features are absent, as in the Assam Valley, the search for oil possibilities is aided by geophysical surveys.

Three different methods of geophysical surveying for oil are being employed by the Assam Oil Company to "feel" for suitable rock conditions under the Brahmaputra's thick blanket of Alluvium.

By aeromagnetic, gravity and seismic surveys, scientists can form a picture of the type, depth and attitude of buried rock layers.

But none of these can point to oil —even if it is there. The scientists, after studying the results, can only say—there *may* be oil there. The only absolute way of finding out is to drill a test well. Frequently the answer then is—no oil. The prospector must try again elsewhere . . . and so the search goes on, in the hope that India's petroleum requirements may be supplied to an ever increasing extent from her own resources.

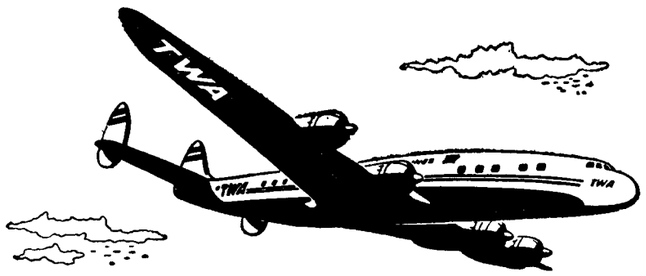
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RATIONALISATION—WHY AND HOW?

BY

CROESUS

THERE are few trade union leaders in our country who are as well-informed and as well-intentioned as Mr. V. V. Giri, our former Union Labour Minister. In the ranks of our labour leaders, he is rather among the exceptions who have the courage to tell employers and employees alike, and also the State, that the well-being of industry is not the concern of merely the workers and the employers but of the nation at large as well. All the same, it was unusually refreshing to hear the view expressed by a labour leader—although it should cause no surprise, coming as it did from Mr. Giri—that true rationalisation does not mean only higher production and profits to the employer and more work-load and higher wages to the worker but also a fair deal to the consumer, in the form, I suppose, of better quality goods at lower prices. In the context of the second Five-Year Plan, with its known emphasis on industrialisation, it is such an attitude towards rationalisation that one would like all sections of the public to develop. And, in having given the right lead thus to what has proved to be the most controversial topic in the field of labour-management relations in India presently, in the course of one of his three illuminating lectures under the "Scindia Lecture Series" which he inaugurated the other day in Bombay, Mr. Giri has undoubtedly rendered a distinct service. The Scindia management and the Union staff of the Scindia and Associated Companies who sponsored the series have begun very well indeed and deserve to be congratulated on their choice of both the lecturer and the subjects for his lectures.

We often hear that agreement has been reached on the question of rationalisation here or there, in Ahmedabad today and in Kanpur tomorrow, but when actually some mill or factory in these places launches on any rationalisation move, even with the blessings, at times, of the concerned State Government and the co-operation of a section of labour—the recognised union, to boot—there is still trouble and strikes and agitations follow. The nearly three-month textile strike in Kanpur is only one ugly manifestation of this. What many who are devoutly working for industrial peace—and, on the eve of the launching of the second Five-Year Plan with its stress on industrialisation, there is greater need for industrial peace than ever before—would want to know is whether it is at all possible to have rationalisation in this country and, if so, how best to create the climate congenial for introducing rationalisation, especially where it is found to be absolutely necessary. In his lecture, Mr. Giri tried to answer these questions and I feel his views need to be more widely disseminated, if only to stimulate discussion on an admittedly vital issue facing the country today.

I am really happy to find that Mr. Giri thinks that rationalisation is not only necessary but is possible. Now, mark these words: "We cannot afford to allow our workers to carry an insufficient workload, especially at a stage when we are rapidly developing the country. Laziness would be a crime against society as a whole. Everyone of us, whatever his chosen field of activity, must give a full day's work and should be encouraged to surpass average standards by comfortable margins. That is the only way to build up a State and build up ourselves too."

This means, beyond a shadow of doubt, that our workers today do not carry a sufficient work-load. But a mere statement like that even from Mr. Giri will not convince the workers and, releasing this, no doubt, Mr. Giri has suggested a machinery first to determine standards of 'normal' performance after an objective and real study of the conditions prevailing in each industry. The next problem is to make the workers and employers accept these standards and then to proceed to lay down work-loads. That is not an easy problem as everyone knows, considering that there are such wide variations in performance in the same industry even as between two comparable units. Hence Mr. Giri's second suggestion that, "when disputes arise between employers and workers over work-loads, a proper enquiry should be made by a competent and impartial personnel and the results of their study should be accepted and enforced without any further objections from either side". Very good. Anticipating trouble with the Industrial Relations Act, the former Labour Minister has even provided for suitable amendments to the Act. But the snag comes when either of the party—more often than not labour—starts questioning terms like "proper enquiry", "competent and impartial personnel" etc., and, even after all these are settled, refuses to accept the verdict. Experience has proved that it is always easier to enforce any verdict on the defaulter employer than on the offending employee and the latter is clever enough to know it. Not until employees, why, for that matter, both the parties to a dispute, learn to submit to any impartial tribunal's verdict without demur even when the decision goes against them, will any scheme, however ideal and well-intentioned, succeed. If past experience is any guide, labour will accept the findings of these bodies only so long as they are favourable to them and no sooner than one or more of these findings turn against labour or even if labour feels that way without any justification, than they would perhaps face the same fate as the Labour Appellate Tribunal has been doing now.

What is the object of rationalisation or an adequate work-load? It is not just to make the labourer put in more work than he is doing now; nor is it to enable the employer to reduce costs and raise his profits. But it is, to quote Mr. Giri, "to benefit all the three parties, namely employer, workers and consumers".

Mr. Giri also refers to deficiencies in managerial responsibilities and quotes the observations of the I.L.O. Productivity Team. Referring to the view of the Working Party for the Textile Industry that there are 150 uneconomic units out of 457 units in the country, he says: "If so large a proportion of mills is uneconomic, it is a serious matter calling for investigation", and asks: "how many of these have been reduced to their present plight through managerial neglect and inefficiency?" All this may be accepted, but what purpose will it serve now to dig up the past? As Mr. Giri has himself noted, the blame for this state of affairs must also lie squarely on the shoulders of the administration under the Factories Act. In order to avoid a repetition, he wants the Central Control Board, a new body he has proposed, to undertake periodic inspections and hopes that the Industries (Regulation and Control) Act will be suitably amended for this purpose.

Rationalisation implies replacement of worn out or inefficient machines by new ones. But who is to determine whether and when a machine has become worn out or inefficient? Here, again, there might be differences of view as between employers and workers and

Mr. Giri expects his Control Board again to decide the issue. Even otherwise, according to him, replacement of any machinery above a certain value must be approved by the Control Board.

Although not opposed to rationalisation, it is noteworthy that Mr. Giri is opposed to mechanisation of processes hitherto done manually, for, he says, this will reduce the volume of employment. But he seems to be prepared to relax this in cases where production is going to be adversely affected by not going in for immediate mechanisation.

To Mr. Giri some retrenchment is inevitable in all schemes of rationalisation involving either an increase in the work-load or the installation of modern machinery. "There is no use shutting our eyes to this central fact", he says, but, "if we are going to have large-scale industrialisation in the second Five-Year Plan", he feels, "the problem of the surplus labour thrown out of existing industries as a result of rationalisation can be faced". Expansion of spindleage in the cotton textile industry and the setting up of three more steel plants, according to Mr. Giri, should provide a large volume of additional employment. Before starting these new industries, he wants a survey of surplus workers in the existing units with a view to their absorption in the new units. This is, in effect, redeployment of labour and involves a number of problems, the chief of which is that of immobility of our labour. It is going to be a serious problem to make a worker in Bombay or Jamshedpur to go to the South or Bhilai, and there is also the question of the State or States where the new units would be located being prepared to accept outside labour. Mr. Giri is no doubt aware of these difficulties, but feels that "these objections will have to be firmly discouraged, if we believe in National Planning". Excellent no doubt though the suggestion is, one wonders whether it is practicable. Similarly, it may sound all right, if State Governments prove recalcitrant, to threaten them by saying that we shall locate all new industries in cities like Bombay, Ahmedabad, Kanpur, or Coimbatore where the unemployment is particularly acute, but after the recent wrangles about the location of the steel plant, he would be a bold man indeed who could wield these threats effectively enough.

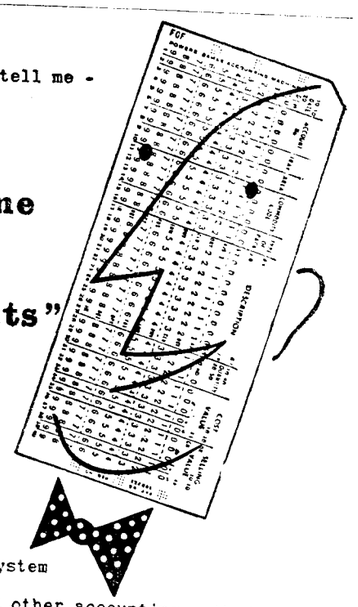
What should be the agency to decide on rationalisation? Mr. Giri thinks that neither the Rationalisation Committee suggested by the Bombay Textile Labour Enquiry Committee nor the panel of experts recommended by the Working Party for the Textile Industry (approved, in either case, by both workers and employees) will be able to stand the strain of large-scale action. It is certainly large-scale action that the veteran labour leader has in mind, for he says: "In the matter of implementation of just and proper rationalisation, it is highly necessary to devise correct work-loads, having regard to conditions existing in our industry and the stamina of our comparatively under-nourished workers, to ensure that those bearing a higher work-load are adequately compensated, to supervise and ensure that only the requisite amount of machinery is brought in to provide for the alternative employment of retrenched workers either in new units or in future vacancies in the existing units, to carry out periodical inspections of units with a view to watching the extent of care or neglect of machinery, to apply corrective measures before it is too late, eventually to take over the management of mismanaged units and, these are large responsibilities which can be adequately discharged only by a high-powered, independent and authoritative agency working in conditions reasonably free from political pressure and undue influence from vested interests".

Mr. Giri does not think the Central Government, through its Central Advisory Councils and Development Councils, could do much to implement the day-to-day implementation of the rationalisation policies and wants a separate compact body, to be called the Central Board of Control, for implemening rationalisation in all the industries where it is called for. This Board will, in its turn, set up expert bodies to investigate and report on all technical problems. The true labour leader that he is, Mr. Giri has reiterated his call to trade unions to have technical experts on their staff, which, he believes, will be possible only if there is one trade union for one industry and all the workers are members of that union. This, again, is very desirable, but so long as political parties vie with each other to dominate the trade union movement, there can never be only one union for one industry not even one union for one unit in the industry.

After having fully discussed the subject, Mr. Giri has concluded by saying that "nobody can at present give a verdict as to what definite course should be adopted in the matter of rationalisation specially in countries like ours which are overpopulated and underdeveloped". Here is the true humility of the student who still seeks the answer, not the arrogance of one who is out to say: "this is the only solution and you must accept it". Thank God, we have still such staunch belivers in democracy like Mr. Giri.

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BUSINESS NOTES

COTTON EXPORTS—EXTENSION OF TIME

WITH THE approach of the end of the 1954-55 cotton season, both shippers and exporters have been sorely exercised over the wide disparity between the total quota released during the season and the quantum of actual shipment which represents the large amount of unutilised quotas. Thus, of the total quota of 4,80,000 bales released for the 1954-55 season, the quantity so far licensed amounts to just 3,78,854 bales, while the quantity passed for shipment up to July 15, aggregates only 1,66,609 bales, leaving a balance of 2,12,245 bales (licensed). As between the total quota released for the entire season and that for which export licences have been issued, there is a shortfall of 1,01,146 bales. In other words, cotton actually shipped up to the middle of this month was only a little over a third of the total quota released. It is, therefore, imperative, it seems, that the validity of the licensing period must be extended: otherwise the Government's liberalised export policy will not have any meaning.

It might seem odd that shippers should always seem to be wanting an extension of the validity of the licensing period thus. But they have their problems. Now, licences for the entire season are not valid beyond August 31, 1955. It is known that export sales in cotton usually take the form of forward shipments, which means that the export of cotton licensed so far before August 31, 1955 is an impossible task. Another hurdle in the way of quick disposal of cotton is the preference shown by some of the cotton-consuming countries for staggering their imports over an extended period. This arises partly from the fact that foreign exchange allocations in these countries are made in fits and starts, as it were. Japan, which tops the list of buyers of Indian short-staple cotton, for instance, always suffers from exchange allocation difficulties, making it incumbent on her importers to stagger their imports.

Even otherwise, the plight of shippers in this country is quite unenviable. For, over and above these difficulties, they have to face shortage of shipping space. Paucity of freight space has, of late, become very accentuated due to increasing shipments of piece-goods, oilseeds, oilcakes, etc. To this must also be added the invariable congestion at various ports of call which upsets the normal shipping schedule, a factor over which the exporting interests have no control. Even during normal times, when shipping conditions are favourable, bulk cotton shipments, especially to countries which have entered into contracts with the U.S. for American aid cotton, are an exception rather than the rule, for these countries fight shy of entering into bulk commitments with India for understandable reasons though.

THREAT TO INDIGENOUS LINOLEUM

ALTHOUGH THE latest half-yearly import policy claims to have officially established, for the first time, the principle of protecting Indian industries by restricting imports, in individual cases, it is seen that the new policy has actually hit some new Indian industries. A case in point is the Linoleum industry. At no time since its inception—the first and only factory in India producing linoleum went into operation in 1951—has this industry been in such a prosperous condition as to merit the luxury of free competition with imported linoleum. It is too much to expect a highly specialised industry like this, for which there is only a limited home market, to make such great strides of progress as to do without protection in only a few years' time. And yet, by permitting the import of floor cloth during the July-December, 1955 licensing period, the authorities have unnecessarily damped the enthusiasm of this pioneering industry. The case for allowing imports arises only when the imports are of an essential nature and cannot be met by the indigenous industry or when the indigenous industry is proved to be profiteering by taking advantage of the shelter afforded by protection. The Indian linoleum industry has proved that it can meet the entire requirements of the country and could even export a quantity and earn foreign exchange for the country. The fact that Indian linoleums are now sold in a number of countries in the face of keen foreign competition is a clear proof of the high quality and competitive ability of the Indian product.

It must be noted that, for a new Indian industry to be able successfully to compete in the foreign market, the prices quoted by it cannot be very high. Indeed, according to the spokesmen of the industry, prices of Indian linoleum have had to be fixed at very low rates so as to meet the fierce competition from well established foreign producers in export markets. The prices charged to the Indian consumer also had to be kept low. For as it, there is only a very restricted home market, and in order to popularise the new product, it must be marketed at a cheap price. This explains the loss incurred by the only unit of the industry in India over the last four years, in spite of the fact that, in the last year of report, namely, 1953-54, the Company made a modest gain of Rs. 53,177 and that too before providing for depreciation. At the end of March 1954, the Company had to carry forward a net debit balance of Rs. 9,10,758. The effect of the liberalisation of imports will only be to cause a serious setback to the industry with all its attendant risks, such as throwing out of employment all those presently engaged in the industry. According to our information, about 500 persons are employed in this industry. Besides, nearly Rs. 50 lakhs have been invested in the enterprise and the finished product uses only indigenous material. Because of the restricted demand and the need to educate the public in the uses of linoleum and create a market, even the capacity of the existing industry is not being fully utilised. Above all, there is the fact of consumers' prejudice towards the indigenous product and, if imports are allowed, it is not unlikely that even the little demand that exists for the indigenous product will disappear. Hence the need to maintain the total ban on imports, as the Government of India had been doing for the last three years. Moreover, imports of foreign floor cloth will result in a still larger percentage of the capacity remaining idle and thereby adding to further unemployment. In these circumstances, it is to be hoped that the authorities will review the position and reconsider decision.

HIGHER EXPORT OF WOOL TOPS

THERE HAS been a continuously rising trend in world trade in wool tops. Available figures of export of wool tops from the nine leading exporting countries indicate an annual rate of as much as 172 million lbs. for the current season, as against an average of only 158 million lbs. recorded in the year 1952-54. In the first quarter of 1955, the exports of wool tops at 43 million lbs. show an increase of one million lbs. over the corresponding period in the previous year.

In line with the steady upward trend in world exports of wool tops, history has been made in three

leading wool-producing countries in the Commonwealth. Leading the rest, Australia, the world's largest wool-producing country, it is reported, has achieved a 4,000,000-bale clip in the 1954-55 season just concluded. Announcements made in that country reveal that the quantity of wool sold in Australia during the 1954-55 season was 3,955,476 bales, which compares with 3,647,000 bales in the previous season. The full quantity of wool received into store last season was 4,034,076 bales. It is also gathered that New Zealand has sold, for the first time in history, more than 1,000,000 bales in a single season, the actual figure being 1,002,863 bales (for the season 1954-55) which is to be compared with only 941,320 bales in the previous season (1953-54). Although exact figures are still not available, it is estimated that South Africa too would cross the one-million mark for the first time in the matter of sales of wool.

In the light of the above, the reported scheme drawn up by the Union Food and Agriculture Ministry, with a view to achieving better and larger production of wool in the next five years seems to be in keeping with the pace of world wool development. The scheme envisages an increase of 24 million lbs. in the yield of wool by 1960-61. Provision has also been made under the scheme for the establishment of 460 sheep and wool extension centres in different regions. The move is bound to receive wide acclaim, when it is known that the average annual value of raw wool exported from India, even as things are, amounts to about Rs. 9 crores.

BRIGHT OUTLOOK FOR BICYCLE INDUSTRY

MR. R. D. BIRLA'S presidential speech at the last annual general meeting of the Hind Cycles Ltd. makes an objective assessment of the rapid progress which the bicycle industry made in this country in recent years. It gives a firm assurance that the rate of progress can undoubtedly be accelerated in the period of the next Plan by 150 per cent. Production which stood low at 1 lakh bicycles in 1949-50 shot up to 3.7 lakhs in 1954 and in the current year it can easily reach the of 5 lakhs. Hind Cycles as the premier unit had the largest individual contribution to make to this increase, but the entry in the sphere of new units functioning in collaboration with British producers is also an important factor in this rapid development. The second Five-Year Plan contemplates, according to present estimate, a target of 12.5 lakh bicycles in 1961 which is quite moderate in the light of the increase in installed capacity and the ambitious programme of road development.

Hind Cycles has launched a bold plan of expansion which will be ready for active implementation by the beginning of 1956. Additional plant and machinery which has been ordered is expected to be delivered in good time to be installed and put under production early next year. The factory is now self-sufficient in respect of all components and materials except for certain special raw materials. The latest achievement is the manufacture of chains which have been put in the market. Future plans for expansion of this important line of production are well in hand. Hind Cycle's output increased to 1.3 lakhs in 1954 and in view of the expansion of plant it can easily be stepped up to 2 lakhs by the end of 1956. If the factory is self-sufficient in the production of all parts and components, this is a factor as much of some weakness as of strength—of weakness because its competitive strength is impaired vis-a-vis most other factories which rely for part of their requirements on specialised cheap producers. This is a vital fact which labour employed in Hind Cycles need to reckon. It is certainly up to labour now to render its contribution to reducing the production costs by higher productivity as a fitting return for the high scale of wages which it enjoys.

SYNTHETIC RUBBER PLANT FOR BOMBAY

WE ARE reliably informed by sources close to the oil companies that the report flashed by a news agency which formed the basis of a note under the above caption in a recent issue is without foundation. A spokesman of one of the Refinery Companies, whose attention was casually drawn to this story, stated that the smallest economic unit of a synthetic rubber plant would have to be at least of 100,000 tons capacity. But, as against this, the news agency message gave out the capacity of the proposed unit as only 15,000 tons. Furthermore, the oil companies are too well aware that, given the necessary facilities the natural rubber interests themselves can more than bridge the present gap between the country's total production and consumption of natural rubber of just around 5,000 tons.

TEXTILE RESEARCH BODY

CONSIDERING THE important position occupied by the cotton textile industry in India's economy, the amount that is being spent on research is negligible. The value of harnessing science to industrial purposes has long been recognized in advanced countries, and even in our country certain tentative steps were taken a decade ago when the Government of India constituted a Cotton Textiles Fund Committee which was to start a research institute for the textile industry. Unfortunately the scheme did not materialise, and the lacuna was filled, to some extent, by the research institutes organized by millowners in Ahmedabad and in the South.

The Bombay Textile Research Association, which recently held its first annual meeting, represents, however, an ambitious enterprise and may be expected to satisfy the needs of textile research to a more satisfactory extent. The steps being taken by the Mill-owners' Association, Bombay, for the establishment of the institute on sound and modern lines, were explained by Mr. V. N. Chandavarkar, its Chairman. Estimated to entail a capital outlay of Rs. 1 crore and a maximum recurring expenditure of Rs. 11½ lakhs, the Institute will be equipped and staffed to cover the entire field of textile research. Twentyeight mill companies have already become members of the Association, contributing Rs. 28½ lakhs. The contributions have to be raised to Rs. 50 lakhs by enlisting more mills, so that the Association may claim an equal amount from the Cotton Textiles Fund. It should be possible for the organisation to give a really good start to the Institute with Rs. 1 crore at its disposal.

METAL BOX COMPANY'S DIVIDEND—A CORRECTION

A MISSTATEMENT about the dividend to the shareholders of the Metal Box Company Limited for the year ended March 31, 1955, crept in these columns through oversight in the issue dated July 15 last. The correct position is that the Directors of the Company have recommended further dividend of 7½ per cent which brings the total dividend to the ordinary shareholders to 12½ per cent for the year ended March 31, 1955. This marks an increase of 2½ per cent above the dividend which was maintained at the rate of 10 per cent before.

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COMPANY AFFAIRS

THE UNITED INDIA LIFE ASSURANCE CO., LTD.

The Audited Balance Sheets and the Revenue Account for the year ending 31st December, 1954, show that during the year 21,249 proposals were received for Assurance amounting to Rs. 6,33,37,869. Out of these and also the proposals pending at the beginning of the year, 17,233 new policies amounting to Rs. 5,30,06,733 were issued during the year. Out of the above, 499 policies assuring a sum of Rs. 37,13,771 have been re-assured. The total assurances in force in the books of the Company as on 31st December, 1954, including bonus additions, amounted to Rs. 30,56,25,736, of which Rs. 2,06,91,929 is re-assured. The total anmities in force amount to Rs. 1,49,245 per annum. The Policyholdes Trust Fund at the end of the year stood at Rs. 9,32,48,118 as against Rs. 8,03,78,135 at the beginning of the year. The total Revenue from Premiums, Interest and other fees for the year 1954 amounted to Rs. 1,68,17,358.

During the year under review, there were 2,622 claims for Rs. 52,85,057 (less re-assurance claims) out of which 528 claims by death amounted to Rs. 15,54,019 and 2,094 claims by maturity amounted to Rs. 37,31,038. Out of the total claims which arose during the year, claims paid during the year itself amounted to Rs. 41,19,531. Claims for Rs. 8,80,274 relating to previous years were also paid during the year. Thus, the total amount of claims paid during the year amounted to Rs. 49,99,805. Since the Company was established, a sum of Rs. 3,93,07,220 has been paid by way of claims.

The Directors recommended a dividend to the Shareholders at the rate of Rs. 50 per share, free of income-tax, for the year under report. This dividend is at the same rate as in the year previous. The Directors recommend payment of a Bonus equal to a month's salary (as drawn for the month of December, 1954) to all such permanent employees of the Company as were in the service of the Company during the entire year (namely, 1st January to 31st December) and continuing in the Company's service on the date of the Annual General Meeting.

In accordance with the Order of the High Court of Madras the assets and liabilities of the Indian Business of the Winterthur Swiss Life Assurance Company, Ltd., have been transferred to the Company.

HASTINGS MILL LIMITED

The Audited Accounts of the Company for the year ended 31st March, 1955, show the following results. After providing for Depreciation and making necessary allowance for taxation there is a balance of Rs. 8,62,745-3-8 at the credit of the Profit and Loss Account including the balance brought forward from the previous account. This credit balance is recommended to be dealt with as follows:

Final dividend on Preference Shares @ Rs. 3 per share	Rs.	75,000
Dividend on Ordinary Shares @ Rs. 11-8 per share	Rs.	4,60,000
Carry forward	Rs.	3,27,745
TOTAL	Rs.	8,62,745

In accordance with the main and supplementary working time Agreements of the Indian Jute Mills' Association 12½ per cent of the total looms continue to remain sealed and the mill worked 45 hours per week from 12th July, 1954 and raised to 48 hours per week as from 18th October, 1954. The Company's Silk Department, Shree Ram Silk Manufacturing Co., resumed working from 24th October, 1954 after a long gap of closure.

DEVKARAN NANJEE INSURANCE CO., LTD.

The Report of the Devkaran Nanjee insurance Co., Ltd., for the year ended 31st December, 1954, reveals good results. Last year the dividend was Rs. 2 per share. The Directors have recommended an enhanced of Rs. 3 per share, free of income Tax. This is largely due to the conservative policy pursued by the Board of Directors.

In Life Business 1143 Proposals resulted into policies amounting to Rs. 34,07,250. The net premium income in respect of the Company came to Rs. 10,40,481. The Life Fund at the end of the year stands at Rs. 63,64,251 as against Rs. 56,09,150 at the end of the previous year.

The Company wrote a net Fire Premium of Rs. 5,09,468. The net claims amounted to Rs. 1,51,387 i.e. 30 per cent of the net premium. The Reserves have been further strengthened by the creation of a Special Reserve over and above the Additional Reserve bringing up the Fire Fund to Rs. 2,64,767. The account shows a Profit of Rs. 42,033 which is transferred to the Profit and Loss Account.

The Company wrote a net Miscellaneous Premium of Rs. 2,15,707. The Reserves have been further strengthened by creation of a Special Reserve over and above Additional reserve bringing up the Miscellaneous Fund to Rs. 1,12,168. The Account shows a Profit of Rs. 28,756 which is transferred to the Profit and Loss Account.

The interest less Income-tax amounting to Rs. 45,707 and the Transfer from Fire and Miscellaneous Departments amounting in aggregate to Rs. 70,789 have been credited to this Account. After charging expenses not applicable to other department, the balance of Rs. 1,09,478 is carried to the Profit and Loss Appropriation Account. The total balance in Profit and Loss Appropriation Account at the end of the year is Rs. 2,31,848.

THE BANK OF BARODA, LTD.

The Profit of the Bank of Baroda Limited for the half-year ended 30th June 1955, subject to audit, including Rs. 2,70,301-15-5 brought forward, amounts to Rs. 15,85,999-11.

The Directors have resolved to declare an Ad-Interim dividend at the rate of 10 per cent annum free of income-tax which will absorb Rs. 5,00,000 and to carry forward the balance of Rs. 10,85,999-11 to the next account.



COMMODITY NEWS AND NOTES

CENTRAL COTTON COMMITTEE

The Indian Central Cotton Committee which met in Bombay from July 25 to July 29, 1955 under the chairmanship of Mr. K. R. Damle, Vice-President, Indian Council of Agricultural Research, considered questions connected with targets for the production of cotton under the second Five-Year Plan, the establishment of cotton ginning and pressing factories on a co-operative basis and the development of co-operative marketing.

Several proposals for the extension of schemes already in operation and for sanction of new schemes received attention. Another important subject that was considered in great detail was the report submitted by Dr. S. C. Harland, Professor of Botany, Manchester University, who was invited by the Government of India to review the research work done by the Institute of Plant Industry, Indore, and other cotton research schemes. The suggestions made by him on the problem of producing long-staple cottons in India to replace the cottons at present being imported was carefully examined first by a special sub-committee of the agricultural research sub-committee.

FINAL ESTIMATE OF SMALL-MILLETS

The All-India final estimate of small-millets for 1954-55, puts the current year's area and production at 13,680,000 acres and 2,424,000 tons, as against 13,979,000 acres and 2,427,000 tons in the partially revised estimate for 1953-54, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows a decrease of 292,000 acres or 2.1 per cent in area, and 3,000 tons or 0.1 per cent in production over 1953-54.

The decrease in acreage has been shared mainly by Andhra and Madras and to a lesser extent by Rajasthan, Mysore and Madhya Pradesh due to unfavourable weather conditions at the time of sowing. This decrease in acreage has, however, been offset considerably by the increases reported mainly by Uttar Pradesh and Vindhya Pradesh and to a lesser extent by Hyderabad and Himachal Pradesh.

The decrease in production has been shared mainly by Andhra, Madras and Madhya Pradesh due partly to the decrease in acreage. The decrease in production has been almost offset by the increases reported mainly by Uttar Pradesh and to a lesser extent by Vindhya Pradesh, Mysore, Bihar and Himachal Pradesh due partly to the increase in acreage and partly to favourable climatic conditions during the growing period.

THIRD TOBACCO ESTIMATE

The All-India third estimate of tobacco, 1954-55 puts the area and production figures at 837,000 acres and 238,000 tons, as against 871,000 acres and 243,000 tons for 1953-54, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India. Thus the estimate for 1954-55 shows a decrease of 34,000 tons, or 2.1 per cent in production over 1953-54.

The decrease in area during 1954-55 has occurred mainly in Andhra, Bombay and Hyderabad and has been attributed to unfavourable climatic conditions at the time of sowing. The decline in production has occurred mainly in Bombay. This Estimate does not contain information in respect of the late variety of the crop grown in U.P. It also does not give information about the final position of the crop in the case of Punjab, Mysore, Pepsu, Rajasthan, Coorg, Delhi Himachal Pradesh, Tripura and Vindhya Pradesh which will be reported at the time of the Final Estimate.

CASHEWNUT SHELL LIQUID

The Indian Standards Institution has circulated for comments a draft Indian standard specification for cashewnut shell liquid. The draft standard prescribes requirements and methods of test for this material which is used as a natural phenolic ingredient in the manufacture of moulded plastics, lacquers, enamels and insulating varnishes.

India produces some 5,500 tons of cashewnut shell liquid out of an estimated world production of about 8,000 tons. The material is obtained as a bye-product in the roasting of cashewnut for obtaining the kernel which contains a fixed oil but is generally eafen as a nut. Most of the Indian product is at present exported, but consumption of cashewnut shell liquid is also slowly developing in the country.

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SATISFACTORY WORKING RESULTS

Increasing Production, Bright Future Outlook

Speech delivered by Shri R.D. Birla, Chairman, at the Fifteenth Annual General Meeting of Hind Cycles Limited, held on 25th July, 1955.

Gentlemen,

The Directors' Report and the Statement of Accounts for the year ended December, 1954, has been with you.

EXPANSION OF PRODUCTION

The results of the last year's working are satisfactory. Production increased to 1,30,000 bicycles. As mentioned in the report, your Directors have decided to increase the production capacity of the Factory. Machinery has been ordered and is in the course of shipment. Extension of the building necessary for increased production is nearly completed. The additional plant includes a Semi-Automatic Conveyor Plating Equipment and a very modern Polishing Plant. Both these plants are due to arrive here by October, 1955, and your Directors hope to complete the erection of all the new machinery and start production on increased basis early next year. When the new plants thus come into operation, the production capacity of the Factory will be raised to a little more than two lakh bicycles per year. Looking to the shipment position of various plants and machinery ordered, your Directors feel confident of achieving production of two lakh bicycles by the end of the year 1956.

Production of chains is well in hand, and we are now operating the plant fully. Our chains have been marketed. Your Directors will consider the question of expanding production of chains in future in light of the circumstances, such as, expansion of the consuming market, its reaction and the shape of the Government policy with regard to important questions, like imports, etc.

MANUFACTURE OF BICYCLE PARTS

Our country is on the eve of entering the second Five-Year Plan. Progress in the Cycle Industry during the first Five-Year Plan is striking. As against the production of a little more than a lakh of bicycles in 1949-50, production in 1954 was 3,72,000 bicycles and is expected to be around five lakhs in 1955. This increase in production was mainly due to increased production by your Factory by about 40 per cent and establishment of factories in India by well-known British firms, like Hercules and Raleigh in our country. The other notable feature of the progress in the Bicycle Industry is that India now manufactures all the parts and components in the country, including chains, freewheels, rims, hubs, etc., and even steel tubes to a certain extent. Thus, except for some special raw material, India is self-sufficient so far as the type and number of components are concerned.

In the second Five-Year Plan, the target of production in 1961 for bicycles is understood to be in the neighbourhood of twelve lakh bicycles. The consumption of bicycles till 1955 has been estimated by the Tariff Commission as five lakhs, and compared to this figure, the target for the next five-year period is increased by 2½ times. I feel that if the road construction programme of the Government of India is implemented, the programme for bicycle production and consumption may be fulfilled.

HIGH WAGE LEVEL

Your Directors are glad to report that so far the relations of labour and management are happy. System of Works Committee composed of representatives of workers freely elected has worked successfully and most of the questions are settled amicably. Average earning of daily paid labour in your Factory is one of the highest in the country, and the Management is proud of it; but this high wage level combined with the fact that we have to manufacture almost all the parts under one roof, unlike any other factory either in the West or in India, results in a comparatively high cost of production, and I hope that the labour would realise that this state of affairs can only continue till the time we can stand in competition with other manufacturers, and that labour will also appreciate that our method of production on self-sufficiency puts us to a disadvantage compared to other units who have varying quantity of imported parts in their bicycle.

4 PER CENT
STATE GOVERNMENTS LOANS 1967

(1) Government of Andhra	..	Rs. 250 lakhs	Issue price	Rs.	99	8	0 per cent.
(2) Government of Bihar	..	Rs. 150 lakhs	Issue price	Rs.	99	0	0 per cent.
(3) Government of Bombay	..	Rs. 600 lakhs	Issue price	Rs.	100	0	0 per cent.
(4) Government of Hyderabad	..	Rs. 200 lakhs	Issue price	Rs.	99	0	0 per cent.
(5) Government of Madhya Pradesh	..	Rs. 100 lakhs	Issue price	Rs.	99	8	0 per cent.
(6) Government of Madras	..	Rs. 700 lakhs	Issue price	Rs.	99	12	0 per cent.
(7) Government of Mysore	..	Rs. 275 lakhs	Issue price	Rs.	99	0	0 per cent.
(8) Government of Saurashtra	..	Rs. 200 lakhs	Issue price	Rs.	99	0	0 per cent.
(9) Government of Uttar Pradesh	..	Rs. 600 lakhs	Issue price	Rs.	99	8	0 per cent.
(10) Government of West Bengal	..	Rs. 500 lakhs	Issue price	Rs.	100	0	0 per cent.

The loans will open for subscription on 16th August, 1955 and close on 31st August, 1955 or earlier without notice as soon as subscriptions approximate to the amount of each issue.

Each loan will bear interest from 1st September, 1955. Interest from the date of application to the 31st August, 1955 inclusive, will be paid to the applicants at the time of issue of new securities at the rate of 4 per cent. per annum on the nominal value of the loan applied for and accepted.

Subscriptions will be in the form of cash/cheque in respect of all the loans.

3% Bombay Government Loan, 1955, 3% Madras Government Loan 1955 and 3% Madhya Pradesh Loan, 1955 will be accepted at par and 5% Mysore Government Loan, 1955 at Rs. 100-8-0% for conversion into the new loan of the Government concerned; interest on the securities of the respective loan tendered for conversion will be paid upto and including the 15th August, 1955.

Applications for all the loans will be received at the offices of the Reserve Bank of India, Bombay, Calcutta, Delhi, Madras and Bangalore.

Applications for any particular loan other than Hyderabad and Mysore Government loans will also be received at branches of the State Bank of India and at Government Treasuries and Sub-Treasuries within the State issuing the loan as indicated in the relevant loan notifications. Applications to Government of West Bengal Loan will not be accepted at Treasuries and Sub-Treasuries.

In the case of Hyderabad Government Loan applications will be received at branches of the Hyderabad State Bank and at Government Treasuries and Sub-Treasuries in the Hyderabad State. For Mysore Government loan applications will be received at branches of the Bank of Mysore Ltd. and at Government Treasuries and Sub-Treasuries in the Mysore State.

N.B.—Copies of Notifications and Application Forms may be obtained at any Receiving Office.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	283.4	456.2	308.2	..	..	..	..
1948-49 ..	382 9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
September 1954 ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348 8*	377.0	605 4	376.1	90.4	100.5	88.3	116.0
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.4
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	330.6	370.0	567.4*	342.6*	90.8	100.6	87.5	113.2
Week Ending										
11-6-1955 ..	277.3	392.2	329.1	370.3	566.2	341.0	90.8	100.5	87.5	112.5
18-6-1955 ..	284.9	393.1	330.1	369.3	565.3	343.9	90.8	100.5	87.5	113.9
25-6-1955 ..	288.7*	389.9	332.3*	369.5	563.2*	345.2*	90.7	100.8	87.7	114.3
2-7-1955 ..	299.0	398.7*	329.7*	369.9*	568.0*	350.1*	90.9	100.7	87.6	115.6
9-7-1955 ..	304.0	412.8	331.6	370.6	567.8	354.7	90.9	100.7	87.7	116.9

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

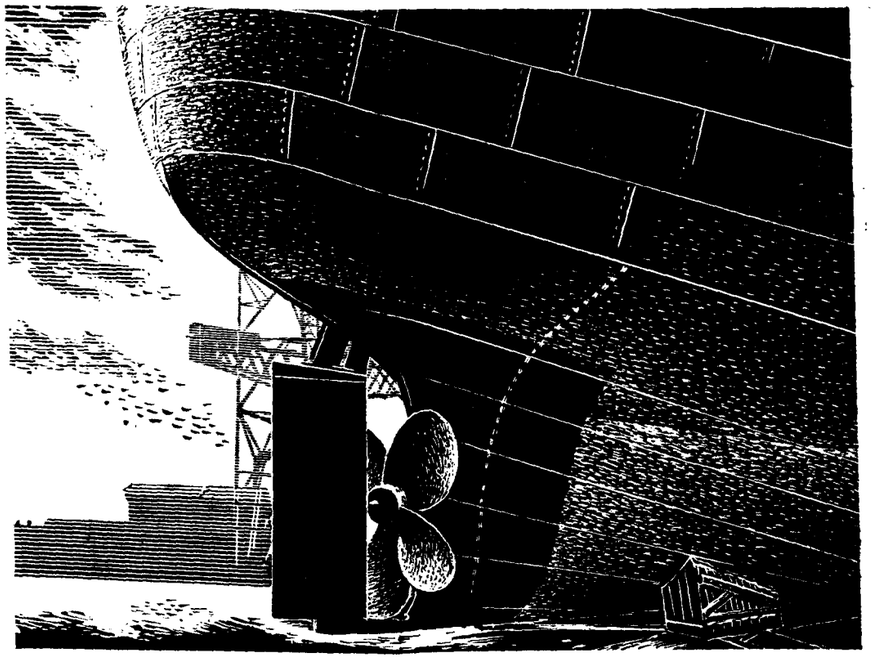
Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
1955 January	335	358	210	132	324	372	370	126	333	141	136	134
February	329	345	207	128	310	384	361	126	326	137	135	131
March	324	340	205	127	310	377	360	129	321	133	133	130
April	324	340	200	126	311	352	353	130	314	129	129	—
May	320	336	204	122	—	335	—	—	—	—	—	—
June	—	—	—	123	—	347	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 23-7-1955			16-7-1955			9-7-1955			2-7-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	94-12	94- 1	94- 6	94-13	93- 8	94- 3	94-13	93- 6	93-13	94-11	93-6	94- 1
Silver (per 100 fine tolas)	160-10	158-12	160- 3	162- 4	158- 7	160- 8	164-12	158-10	160-13	159-15	157-8	158-13

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Challenge with Confidence

THE Indian business community continues to spring surprises upon an expectant world. Barely six months ago it seemed so deeply taken aback by the advance of a "socialistic pattern of society"—with and without Constitutional amendments—that there were many members of the community who were asking anxiously if there was any justification for optimism on the future of the private sector. At the present time optimism is unrestrained and this is by no means a matter of speech only. The Stock Exchanges in the last few weeks have shown that this optimism is fully reflected in bull operations. Something needs to be said, therefore, about the change of philosophy of the business community which has recently taken place. Mr. G. D. Birla's address to the Democratic Group and the Commerce Graduates' Association in Bombay on July 29 indicates, perhaps more clearly than anywhere else, the change of outlook in a leader of the progressive wing of the Indian business community.

Briefly, Mr. Birla considers the second Five-Year Plan a great challenge to the Indian business community; he is full of confidence that the challenge will be taken successfully. He considers that there is no battle between the sectors; indeed he considers that even the provision of new employment is primarily the responsibility of business men. "If", he says "the Congress Government cannot solve the problem, it will have to disappear. Only those who can solve the problem will be able to survive. We have accordingly to put our heads together and try to solve the problem in a more realistic manner." In other words, the business community is no longer to work within the ambit of its own economic field for profits only; it has now to take account of social purposes and the political ends which are necessary for the maintenance of stability and ordered government. In other words, business has now to be flexible with eyes constantly on the political scene. This is a new dimension in Indian business acumen. In Mr. Birla's words: "We have to work in certain types of atmosphere. When we find the atmosphere has changed, we do not change accordingly. That is where we make a mistake." Thus, it is the business community,

not the public sector, that takes the blame, or is the implication that there must be a meeting ground half-way?

Following on this point that the private sector and the public sector must accept the same responsibilities for the amelioration of the people, Mr. Birla went on to argue that business men should not seek guarantees against nationalisation. "Let me say something about the amendment to the Constitution. I do not like it. Many men do not like it. Nor do they like the threat of nationalisation. I am told that when the colliery owners were asked to expand their production, they put this question to the Government: 'Is there any guarantee that our collieries are not going to be nationalised?' Now I ask you. What is the value of a guarantee? Today it is the Congress Government, tomorrow it may be some other Government. Moreover, business men in the past were not against nationalisation. It was with every business man's consent that the railways were nationalised as far back as 1920. Now we are against nationalisation. There is no guarantee against nationalisation. However, it has been said by so many and on several occasions that Government are not going to fritter away money on nationalisation by acquiring existing industries. I therefore do not ask for guarantees against nationalisation."

Apparently, Mr. Birla is not alone in accepting with grace the socialistic pattern of society in which the privilege of the few is to be a constant target for attack. The proviso he makes is that the proposed changes serve an accepted social purpose. He would raise the lower brackets rather than lower those at the top, but levelling is an acceptable creed. He said: "People are no longer interested in seeing big men enjoying life. They want to enjoy prosperity themselves. I therefore feel that the best way to preserve capitalism in this country is to make everyone, small or big, a capitalist. Unless wealth and prosperity are spread widely, we are going to disappear. In any case with high taxation it seems impossible to maintain or do anything big after some twenty years." The Finance Minister himself could not have spoken in more ominous terms.

Mr. Birla goes further and not only accepts the prevailing political philosophy but identifies himself with two vital economic ends of the Plan, namely, a rise of 25 per cent in the national income by 1961 and the creation of 10 million jobs by 1961. The major difference between his view and that presented in the draft second Five-Year Plan is one of detail—he thinks it unnecessary that the objectives of the Plan will require an investment of Rs. 5,600 crores. His personal view is that we can manage with considerably less, and he specifically mentioned a figure of Rs. 3,000 crores, which is certainly too optimistic, if transport is to take Rs. 1,400 crores. While Mr. Birla has figures for recent years on his side, one wonders whether a reduction of investment of this order in the Plan will not now raise insuperable political obstacles. It will be difficult enough for the Finance Minister to scale insatiable States' demands down from about Rs. 12,000 crores to Rs. 2,000 crores. If Mr. Birla's investment figure is accepted, it may be necessary to halve the States' allocation. Who will face the wrath which is to come? There is no doubt that, having raised an appetite for high and broad finance, the Government of India will find it impossible to withdraw.

For the present, however, the issue is not that of the increasing embarrassment which the Government will face if it reduces the investment in the Plan. It is the capacity of the business community to undertake the obligations which Mr. Birla has conferred upon it. That capacity is high and is rising and on two particular points confidence is well justified. In the first quarter of 1955 industrial production in the private sector of Indian industry reached the highest figure for any quarter. At the same time the figure for April 1955 touched 166.5 in the interim index, which is the highest figure ever recorded, exceeding by about one point the previous peak in December 1954. It is true that a curious rise in sugar production is responsible for the whole of this success, which is in part statistical, because of the weighting of sugar in the interim index. Nevertheless, the broad pattern of industrial production shows that the private sector in Indian industry is not merely justifying its optimism on the basis of future promises. Its performance here and now is one of which it is justly proud.

Secondly the balance sheets which are appearing for 1954 indicate that average profits in that year have been higher than ever before. This is traditionally a measure of incentive in the private sector, and it may be assumed that, notwithstanding the fears entertained on the Companies Bill, the special climate for industry is created by high profits more than anything else. One wonders if Mr. Birla's optimism would have been as great had it not corresponded very accurately with the economic picture in the organised private sector both in a production and a profits sense. It may be largely because leading business men in India have the evidence of the rise in production and profits before them that the political setbacks of the last six months have tended to be rapidly discounted.

It may be right that these setbacks should be discounted as much as Mr. Birla would suggest. But here at least there are uncertainties which might warrant a more cautious, and even cagey, outlook. There is danger in the business community or indeed in any section of the public in a democracy committing itself in advance to all the politicians' assessment of the people's voice. The present unrest is good; it is by no means perfect and it could have been better if political haste had not been imposed upon a Ship of State that was riding well. While therefore the business community should accept the full challenge which has been so eloquently described by Mr. Birla, it should not create the impression which is untrue that it has accepted the Government's economic philosophy. Again, it is essential that the Government of India should not be allowed to escape any share of its own obligations, while the private sector recognises that it has more searching tasks to perform. Much the larger portion of the Plan has been contained, quite deliberately, in the public sector, and it is impossible therefore for the private sector to provide all the spacious solutions which Mr. Birla commends. He is right in making a point that the business community must think in more spacious terms. He is wrong if he believes that the opportunity will be given to the business community to undertake a major fraction of the appointed task. Let the private sector broaden its shoulders and sharpen its wits. But who will give [illegible] tools to finish the job?

The Pakistan Rupee

DEVALUATION always comes like a thief in the night. In a sense it is a thief because it robs a national currency of some of its value. The belief that this loss is compensated automatically by an improvement in the devaluing country's balance of payments belongs to orthodox economics and dies hard. It may be untrue. It may be that in the case of countries developing as Pakistan is doing, with a relatively inelastic demand for imports, particularly of capital goods, the advantages on the side of exports are more than offset by a higher cost of imports. It is by no means clear that the operation which has been now completed will strengthen Pakistan's balance of payments or make it easier for her to control an inflationary situation. The chances at best are that the operation will be comparatively neutral on the balance of payments whilst being slightly inflationary on internal costs.

The news on Wednesday and Thursday is not reassuring. The prices of practically all imported articles and not a few indigenous commodities showed a pronounced upward trend on August 2 and 3. It would appear that the inflationary factor has been underestimated by the Pakistan Government; it may be that some considerable administrative controls will need to be imposed if prices which have sharply risen are to be pushed back. It was noticed, for example, on August 2 that the prices of drugs and medicines registered a rise of 40 per cent and a drop of 10 per cent on August 3 would not have taken place but for warnings on the possibility of the reimposition of price controls. There is no doubt that this is a situation in which price controls on important products are abundantly justified. On new imports prices will naturally have to be higher, but there is no reason why this rise should be immediately granted on old stocks. It is clear that a severe administrative problem in price control has now been set to the financial authorities in Pakistan. There would also appear to be political restiveness in East Bengal which is reported to be due to the fact that there was no consultation with the East Pakistan Government on the likely effects of devaluation in East Bengal before it was undertaken. There is likely to be some difficulty in a quick return to equilibrium in view of the political pressures to which the Government of Pakistan is now exposed. The slump in the black market rate in the Pakistan rupee of 100 Pakistan to 65 Indian rupees in free markets in Calcutta is some measure of existing uncertainty.

To assess Pakistan's devaluation in these terms is to fail to do justice to what in the long term must be a wise decision from the point of view of the Indian sub-continent. There is no doubt that over the last five years, when the Indian and Pakistan rupees have had different par values, the difference in exchange rates has been a fruitful source of limitation of trade and, by consequence, an irritating stimulant to black markets. Whether the natural rate between the two rupees is parity or not, there has been enough evidence, taking the five years as a whole, to indicate that something like parity was a convenient, if not an absolutely exact, measure of the comparative intrinsic strength of the two currencies. When a flow of capital was also accompanying current trade transactions, as it obviously was with refugees from East Pakistan, there really was no practical advantage to be obtained from maintaining an uneconomic rate which it was impossible to enforce. For some months, the black market rate has been between Rs. 85 and Rs. 90 Indian for Rs. 100 Pakistan. This has meant that some of those least able to afford it—refugees from East Pakistan—were compelled to sell at a severe loss. If for no other reason than that it makes life considerably easier for holders of Pakistan currency in East Bengal who wish to return to India, Sunday's decision will be welcome. Behind these cold and calculating figures of exchange rates there stands a story of human privation which now at least will in some measure obtain relief and much overdue consideration.

There is no doubt that, viewed largely in terms of this unhappy human traffic that exists between the two Bengals, the devaluation of the Pakistan rupee is warmly to be welcomed. In less human terms, there is a gain of another kind. The risks of entering into black market transactions are always great and, apart from the fact that they are often clandestine and secretive, they do tend in any case to destroy morale. It is good that exchange between the two rupees can now take place openly; it is hoped that exchange control on both sides will permit transactions without restraint. Both India and Pakistan can well afford free interchange without injuring significantly their balance of payments.

While the Pakistan Government is, therefore, to be given credit for having initiated a move which will help to restore balance between two sectors in the sub-continent, credit must be given to the Government of India for its quick appreciation of the significance of this move in terms of India's international trade. The removal of the jute export duty with immediate effect on Monday—said to have been taken with unprecedented swiftness—shows the degree of efficiency which is now being acquired in the handling of economic issues of this kind. Those who remember the painful discussions which took place in September 1949, when Pakistan declined to devalue, will recognise how agreeably different the situation is today.

The Government of India has followed up the abolition of jute goods levies with a cut in the export duty on certain varieties of raw cotton from Rs. 125 to Rs. 50 per bale. There is good cause for this reduction—as also for cotton textiles and steel reportedly under close review—since the devaluation of the Pakistan rupee will operate as a subsidy of about 30 per cent on Pakistan's trade in these items. It is essential that India should not allow her trade in these terms to be lost through the unilateral action of any country. The abolition of export duties is a defensive operation which cannot be avoided even though it is likely to lose significant revenue, which we can ill afford to lose at this time.

Tea Auctions

THE decision of the Government of India announced last week on the limitation of the North Indian tea crop for direct shipment to London ends, for the time being, a matter which has been under discussion for some years. The present decision is the result of a detailed enquiry which should give satisfaction to all sides involved in this decision. The Committee on Tea Auctions had three Englishmen amongst its members; these included Sir Percival Griffiths, Representative of the Indian Tea Association in London, and Mr. R. E. Culverhouse, a representative of Buyers, who in turn reflect the views of consumers. There has been no time at any stage in the enquiry when the rights of consumers in the United Kingdom, which still represents much the largest market for Indian tea, have been neglected. The Committee's report was unanimous and seems to have been drafted with a full recognition of the practical difficulties of a quick change-over in Calcutta no less than the desirability of maintaining every legitimate British interest on the consuming side. The Chairman of the Tea Board, Mr. U. K. Ghoshal, was Chairman of the Committee of Enquiry; since the Tea Board has the responsibility for implementation, one might assume that the practical responsibilities of the Chairman have been borne in mind throughout these deliberations.

For a variety of reasons, the Committee unanimously reached the opinion that the enlargement of auctions in India should not be postponed any further. The principles governing the process of enlargement had already been laid down by the "Ad Hoc" Committee on Tea in 1950, to the effect that the development should be related to actual conditions, that is, each successive phase of enlargement should be reviewed and implemented in the light of trade and economic conditions, prevailing from time to time. The Tea Auctions Committee's report was prepared in a very much more favourable climate for tea marketing than had existed in 1950 and the prospects for world tea continue to remain bright. That helps to minimise some of the risks involved in a change-over, which might otherwise have prompted too great caution. Auctions in India have been increasing in size during the past few years and the trend would continue; the issue before the Committee was only how best the tempo could be accelerated.

The immediate course recommended was the imposition of a ceiling of 30 per cent of the total Indian crop as the quantity that can be exported for purposes of auctions. It was suggested that this should be reduced to 25 per cent in 1956-57, but only after precaution was taken to investigate whether new factors have intervened to make it inexpedient. But in view of the traditional links between Mincing Lane and the Indian tea producer and the importance of utilising the knowledge of the tea requirement of the largest market for Indian tea, the Committee was convinced that London auctions should continue to exist as a supplementary outlet for Indian tea. Subject to these broad considerations, the actual quantities to be reduced became a matter of detail but on a reduction of 25 per cent or 50 million lbs phased over two years, there has been no serious disagreement.

Briefly, the major decision the Government of India has reached is that while there is to be no ceiling fixed each year in terms of the percentage of the total crop, there will be an overall limitation of 140 million lbs for direct shipment of North Indian tea against actual consignments of 209 million lbs in 1953 and 167 million lbs in 1954. In the case of South India the Government of India do not consider it necessary to fix a specific ceiling during the current year because they are satisfied that their actual consignments are unlikely to exceed the previous level of 23 million lbs, a quantity well below 25 per cent of the South Indian crop. It is stated, however, that the situation will be watched and, should different trends appear, steps will be taken to prescribe a ceiling. These decisions seem to have the merit of being somewhat simpler in operation than a flexible ceiling to be fixed each year in relation to the size of the crop, which may not always be possible to determine accurately in time for administrative orders to issue early in the season.

Not only has the Government of India's decision in this matter the merit of simplicity; it has been obviously designed to be implemented with as little dislocation as possible. For this purpose a scheme of voluntary enforcement in accordance with the recommendations of the Committee has been adopted. The main Producers' Associations of North India have expressed their willingness to set up a joint committee to ensure that the prescribed ceiling is not exceeded. The Government of India have accepted this offer; there is no reason to believe that on either side this attitude of trust between the public and private sectors will be regretted.

One of the vital recommendations of the Committee was concerned with warehousing facilities in Calcutta, which it would appear are not wholly adequate even without any enlargement of auctions. While no very great difficulty has been experienced in accommodating chests even when auctions went up to 62 per cent of the total crop, the recent deterioration in the labour position in the port of Calcutta makes new warehousing an urgent necessity. It would appear from an appendix in the report that there is more than one method of calculating the required warehousing accommodation. It would seem that existing accommodation is sufficient for about 700,000 chests, while something between 250,000 to 500,000 additional chests may be in residence at the peak if the crop rises significantly and additional auctions are currently taking place. The Tea Board which has now been assigned the task of expanding warehousing facilities in Calcutta will need to arrange accommodation for something like 250,000 chests while long-term measures are set in operation for about double that number. This is so central and practical a condition of larger auctions that it is hoped that no time will be lost in the implementation of this proposal.

For the rest it is only necessary to draw attention to the statesmanlike manner in which the interests of the predominant producing and consuming countries have been brought into line in this case. A spirit of broad tolerance and understanding has been shown by all the interests and by both governments. Tribute is due particularly to the trade, both in India and abroad, for placing at the disposal of the Committee all necessary information, and for accepting a direction which in some quarters was unpalatable. This is a fine example of the strength of the democratic method in economic affairs.

THE WEEK'S NOTES

RETURN OF THE DECIMAL

THAT THE decimal system, which was born in India, could not find a place for itself in the country of its origin, while it travelled far and wide to find ready acceptance in foreign lands, has been a powerful argument to compel acceptance of a decimal coinage for this country. Arguments about the practical uses of the decimal coinage perhaps played a less prominent part during the passage in the Lok Sabha last week of the Indian Coinage (Amendment) Bill. The desirability or otherwise of the changeover to the decimal coinage and the inconveniences it may involve was subordinated to the wish of a section of the House, for the retention of the current name of 'paisa' for the new unit, and even the Prime Minister seemed ready to concede the desirability of retaining that name. The word has, indeed, become a synonym for 'money', not only for a coin, but it seems wrong to confuse it with a cent which has a specific meaning in the decimal system and possesses the virtue of being self-explanatory. This is one more example of straining at a gnat after swallowing a whole camel of revolutionary change.

There is substance in the fear that during the period of transition from the old system to the new, important sections of the community in the countryside will find it difficult to work out the right exchange rate between the old coins and the new. Even the more wary urban housewife may find it very trying to settle the daily bargain with the tradesmen. Measures will have to be taken against sharp practices. One should not, however, exaggerate these difficulties. Smooth transitions have taken place, for instance, when the pie disappeared completely from circulation, and, again, when the Osmania currency was recently superseded.

It is wrong to underestimate the prestige of the 'paisa' by assuming that its currency in our language would be affected when the smaller denominations bearing this name are withdrawn eventually. The word would still mean 'money' and in common parlance, it has often been stretched to denote prices, remuneration and states of affluence or bankruptcy among individuals. The 'paisa' seems destined to live long after it dies out as mere small coin; a mere 'cent' cannot acquire its very rich connotations. It can be tolerated as one of those strictly utilitarian tools, devoid of the romance which has been built up around the 'paisa' in Parliament.

THE MALAYAN POLITICAL FRONT

WITH ITS unprecedented success in elections anywhere, the Malaya Alliance Party has created a new record by capturing 51 of the 52 elected seats in the 98-member Legislative Council of the Federation. The twin goals of striving to attain full independence in four years and providing for a fully elected Legislative Council seem to be mainly responsible for this triumphant victory. As an immediate step towards these ends, the Alliance has demanded self-government within two years. The Party wants the power of veto, now vested in the High Commissioner, to be abolished, and seeks full self-government including control over defence. This would exclude foreign affairs, which will be sought only when independence (within the Commonwealth) is achieved.

That the Malayan people have an overwhelming aspiration to assume charge of their affairs, though in gradual stages, has been made clear beyond any doubt. The British Government are also showing intelligent awareness of the necessity of reform, but it seems likely that there may arise differences over the question of time. Yet another controversial factor is the view held by the Alliance Party that, in order to help restore stability in the Federation, a general amnesty be granted to the insurrectionists, which, according to the present indications, may not be acceptable to the British who have always demanded their complete and unconditional surrender. There is, however, much that can be said on the differing viewpoints. But it may not be in the best interests of either party to delay for long the much needed reforms.

If experience in other territories is any guide, a free nationalist Malaya, understanding its rights and responsibilities, may ultimately prove to be far more effective than the British to withstand any possible Communist pressure. There is, however, one somewhat disquieting feature about the Alliance; with gradual assumption of responsibility and power, the heterogeneous groups of the Malayan Chinese, the Malayan Indians and the Malay Nationals, comparising the Alliance, may find it difficult to maintain the same coherence with which they came through the elections. Much depends on what they do about the citizenship law, on which they have yet to define their intentions.

In Singapore, now constitutionally separate from Malaya, the elections held recently, which put the Labour Front in power, resulted in political troubles and strikes. At one time it seemed the crisis would deepen when Mr. David Marshall, Chief Minister in the first elected government of the island, threatened to resign. However, with the visit to Singapore of Mr. Lennox-Boyd, British Secretary of State for Colonies, and his discussions there, the crisis may be averted.

ATOMS FOR PEACE

ON MONDAY, August 8, the world's leading scientists, including those from the U.S.S.R., will gather for a 12-day conference at Geneva for concentrated international effort to make the atom work for peace. The scientists will tackle the problems, among others, of production of power through nuclear reactors and the use of radioactive isotopes in medicine, biology, agriculture and industry, in public discussions and individual technical papers, of which over 1,000 have been compiled and approximately 450 will be read in the conference. At the final plenary session on August 20, Dr. H. J. Bhaba, President of the Conference, will summarize the highlights of the proceedings. The peaceful use of atomic energy has thus made great progress since President Eisenhower's historic December, 1953, proposal before the U.N. General Assembly for cooperation among the nations of the world in developing nuclear energy to serve mankind. The General Assembly's unanimous call last year for the international technical conference to explore the possibility of developing the peaceful uses of atomic energy and methods for its practical use has thus been answered.

One of the interesting features of the conference will be that many of the participating nations will exhibit their achievements so far in the field of harnessing nuclear energy for peaceful needs. Already, some of the nations have made considerable progress and have advanced plans for such schemes as atom-powered locomotives, peace ships, electricity, industrial furnaces, power reactors, accounting machines, etc. The portable power plants are being so designed in the U.S. that they can be transported by plane to provide power, light and heat for a community of 2,000 persons. They can also be used to provide power for drawing water for irrigation from underground streams in desert areas. Atomic electrical power, from a land-based prototype of submarine intermediate reactor, is already being distributed on commercial scale. All this is, indeed, a moving demonstration of the fact that the atom can

be stripped of its military casing and adapted to the arts of peace. The fervent hopes of mankind are contained in the words of President Eisenhower: "To find a way by which the inventiveness of man shall be consecrated to his life."

UNIVERSITY EDUCATION

ONE VITAL suggestion in the report on the University Grants Commission Bill, submitted by the Joint Select Committee of Parliament, is that no institution other than a university should be permitted to grant any recognised diplomas or degrees. The other recommendations mainly concern the composition of the Commission, its functions and the measure of control the Government should exercise over it. Whereas the recommendations reveal very little of anything new in such reports, the main weaknesses are not far to seek. In so far as the personnel is concerned, it has been recommended that the entire Commission be nominated by the Central Government. It is quite possible that the composition of the Commission in this manner, without adequate non-official element in it, may take away much of the initiative and confidence necessary for the execution of its functions with drive. The report suggests that the Commission will assume unbridled powers in the matter of sanctioning grants to institutions, which may leave enough scope for a tendency of favouritism to develop. To ensure fair play to every educational institution, it is essential that certain standards should be formulated, and an institution should acquire title to the grant only when the Commission is satisfied that the concerned institution answers such conditions.

The minutes of dissent by six members, appended to the report, contain some useful suggestions which deserve careful consideration. In order that the country may keep pace with the rapid developments in the scientific field, the universities should be able to provide the necessary facilities for study and research in technological, aerial and atomic developments. Higher education in soil improvement engineering, water control, etc., for rural development should figure prominently in the universities, and the Commission should address itself vigorously to such important tasks.

HANDING OUT TO HANDLOOMS?

THE TARGET of 3000 million yards for handloom cloth at the end of the second Five-Year Plan, prescribed by the All-India Handloom Board, has the virtue of consistency with the present Government's policy and the aspirations of the political party in power, but it may have nothing more to commend it for acceptance. To say this does not involve condemning the men behind the looms to the human scrapheap, as indignant apologists of the handloom industry would say. An expenditure of Rs. 100 crores has been envisaged, Rs. 60 crores in grants and Rs. 40 crores in loans—of which the major items are Rs. 21.78 crores for working capital to weavers' co-operatives societies, Rs. 15 crores for rebate, Rs. 11 crores for starting a thrift fund and Rs. 19 crores for building weavers' colonies. This is a substantial dose of welfare in addition to legitimate assistance to a particular group of the community, which—though under severe hardship due to its low productivity and consequently low competitive strength in relation to modern industry—is not alone in its disabilities because of larger groups living under comparable conditions in the self-employed category of artisans and workers.

The handloom worker needs credit and he has to be organised to be freed from the exploitation of the yarn merchant on the one hand and the cloth middleman on the other. An extension service which will tell him of the types of demand that exist and the adaptations in size, design, texture and quality he can make would certainly strengthen his position. Credit for ordinary operations and for improvements should be freely provided. It is difficult to accept that the impressive totals of outlay proposed would achieve all this effectively. In any case, there should be no serious discrimination between other artisans who, though in smaller numbers in each special group, together face a not dissimilar problem, in matters like housing or other welfare measures.

The increased target for handlooms can be achieved only with a progressive increase in powerlooms as suggested by the Kanungo Committee, the economics of which is not free from complexities when it is extended on a large scale. The handloom industry seems at the moment unable to profit fully by the expansion of the cloth market: while mill cloth stocks are declining, stocks of free yarn have increased by over 25 per cent since last year—not because of very large yarn production. If future demand arises in lines in which the mills now specialise, the outlook for the handloom may not be quite bright, especially if powerlooms also take some share of the existing market. The problem is not indeed easy, but there seems to a tendency to work out solutions on facile assumptions.

INDUSTRIAL FINANCE CORPORATION OF INDIA

KEELING ROAD, NEW DELHI.

NOTICE

NOTICE is hereby given that the SEVENTH ANNUAL GENERAL MEETING of the Shareholders of the INDUSTRIAL FINANCE CORPORATION OF INDIA will be held on Saturday, the 17th September, 1955, at 4-00 P.M. (Standard Time) in the hall of the Constitution Club, Curzon Road, New Delhi, to transact the following business:

(1) The Balance Sheet of the Corporation and the Profit and Loss Account for the year ending 30th June, 1955, together with a report by the Board on the working of the Corporation throughout the year and the Auditors' report on the said Balance Sheet and accounts shall be read and considered.

(2) To elect one Director each in place of (1) Mr. H. C. Captain, (2) Mr. L. S. Vaidyanathan, and (3) Mr. V. P. Varde, being Directors elected to represent shareholders referred to in clauses (c), (d) and (e) of Section 10 of of the Industrial Finance Corporation Act, 1948, respectively, who retire by rotation and are eligible for re-election as provided by Section 11 of the Act.

(3) To elect under Section 34 of the Industrial Finance Corporation Act, 1948, one Auditor duly qualified to act as Auditor of Companies under sub-section (1) of Section 144 of the Indian Companies Act, 1913 (VII of 1913) by the parties mentioned in sub-section (3) of Section 4 of the Industrial Finance Corporation Act, namely Scheduled Banks, Insurance Companies, Investment Trusts and other like financial institutions and Co-operative Banks, in place of Messrs. S. B. Billimoria and Co., Bombay, who retire at the end of the year but are eligible for re-election.

H. V. Venkatasubbiah,
MANAGING DIRECTOR.

NEW DELHI,
23rd July, 1955.

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INDIA: STATE OR NATION?

BY

ODYSSEUS

I HAVE been reading "Welsh and Scottish Nationalism" (Collins, London, 1954), Sir Reginald Coupland's last book, published after his death, and this has made clearer in my mind a proposition that I have often submitted in this column: the survival of the Indian nation is bound up with the success of democracy.

Now, the "Shorter Oxford English Dictionary" defines a "nation" as "A distinct race or people, characterised by common descent, language, or history, usually organised as a separate political state, and occupying a definite territory". By this definition India can only with difficulty be admitted to be a nation, because it is hard to argue that this sub-continent is inhabited by one race or that it is characterised by common descent (Cf. Pathans, Goanese, Maratthas, Bengalis, Tamils, Nepalis and Kashmiris), still less by a common language or history (at any rate until the nineteenth century). Can it then be that all those who assert that there is an Indian nation, to which they are proud to belong, are suffering from an illusion?

On the contrary, those who feel like that actually constitute the Indian nation. The Indian, Jewish, Welsh, Scottish, Polish, English (or other) nations are made up of all those who are conscious of being Indian, Jewish, Welsh, Polish etc., and who take pride in their own culture. In other words, I submit that in the definition of nationality the emphasis should be on spiritual and cultural values. Ernest Renan (1823-1892), the French historian, said that nationality is a spiritual principle sustained by the continuing force of a tradition from one generation to another, and inspired by the memory of "great things done together" and the "desire to do more of them". This spiritual character differentiates a nation from a state. Renan also asserted that the nation is incorporated in the state as the soul in the body, but I suggest that while this is sometimes, it is not always, true. Throughout most of the nineteenth century, for example, the Polish nation (which spiritually was very much alive and self-assertive) was politically divided between the states of Austria, Prussia, and Russia; the Welsh and Scottish nations flourish today within the state of Great Britain; and in my reading I frequently come across references to the Sikh and Maratttha "nations", which form part of the state of India.

THE DEFINITION OF A "NATION"

In short, a nation exists where enough people (of whatever race, descent, language, or history) passionately desire it to exist.

Mazzini (1805-1872), one of the fathers of the Italian nation, said that a nation justifies this claim to life and freedom by the contribution that it makes to the welfare of the international community. He preached that selfishness in a nation was as wicked as in an individual. I would not dispute the truth of this, but as I look round the international scene, I cannot help wondering how many contemporary nations are justifying their existence and how many more are behaving in such a way as to justify their liquidation from history.

The final question, which, says Coupland, must be, but has not yet been, answered is: What kind of political instrument is needed to enable a nation to fulfil its function? Two contradictory answers have been given.

John Stuart Mill (1806-1873), the "Aristotle of nineteenth century Liberalism", anxious though he was to protect the rights of minorities, went so far as to assert, in his classic "Representative Government" (1861), that free institutions are next to impossible in a state made up of different nationalities and that the boundaries of governments should therefore coincide with those of nationalities. For Mill, "democracy" meant that the nation controlled the state and this inevitably implies a one-nation state. Democracy means majority rule, which Mill argued, can only work in a society which shares the same traditions, standards, and purposes, to such an extent that any minority within it can acquiesce in the decisions of the majority. It is true that in a state which embodies more than one nation (e.g. New Zealand with its Maories), national differences may not be strong enough to obstruct the rule of the majority, but if the differences go deep enough (e.g. as in the old Austro-Hungarian empire with its Czechs, Poles, Slovenes, Croatians, Rumanians, Ruthenians etc.) then an intractable problem arises because a nation is not like a party: it cannot increase its votes by winning people over; if it is weaker than the other nation or nations which make up the multi-national state, it is a permanent dissatisfied minority subject to a permanent majority.

THE NATIONS WITHIN THE STATE

Lord Acton (1834-1902) lost no time in challenging Mill's view in his essay on Nationality (1862). Alarmed at the disruptive effects on the composite Austro-Hungarian state that Mill's doctrine might have, he urged that the combination of different nations in one state is as necessary to civilised life as the combination of men in society, and those who have followed Acton's lead insist that in a democracy it is the duty of a nation to "preserve and augment its cultural traditions as its distinctive contribution to the common treasury of civilisation" (Cf. the French in Canada). For that, no political instrument is necessary. The members of all nations are also members of states; but, provided that it is democratic, the state's frontiers need not correspond with those of the nation.

Contemporary Europe pullulates with nations divided between different states, e.g. the Basques divided between (democratic) France and (totalitarian) Spain, the Germans divided between (democratic) Western and (totalitarian) Eastern Germany, but, of course, those who follow Acton would deplore these examples as not fulfilling the principle that division is not important providing that a democratic state allows the divided nation self-expression.

In this sub-continent, we have an interesting Actonian situation, for if the pre-1947 doctrine of the Congress party be accepted, the Indian nation has been divided between the states of India and Pakistan, and, as long as both states remain democracies, the pure Actonian would not object on the score of alleged injury to the nation (whether or not he would object to the weakening of the international political influence of the sub-continent by its division into two states, which is a different argument). And the pure Actonian would not object to those who regard themselves as belonging to the Sikh or Maratttha "nations" within the Indian state, for he argues that a multi-national

state is a more advanced, more civilised polity, than a one-nation state; and he concludes that in a democratic state a man's nationality is no more the state's business than his religion, that to make nationality the basis of the state is out of tune with progressive thought and is a reversion to the pre-national European conception that one religion should be supreme in any one region (cujus regio, ejus religio).

Coupland points out that the French Revolution, by changing the character of nationalism where it existed and stirring it to life where it did not, brought the relationship between nations and states to the front of European politics. Rousseau's conception of the sovereignty of the people extended the range of consciousness of nationality from the circle of the king and the ruling aristocracy, first to the middle classes and eventually to the people.

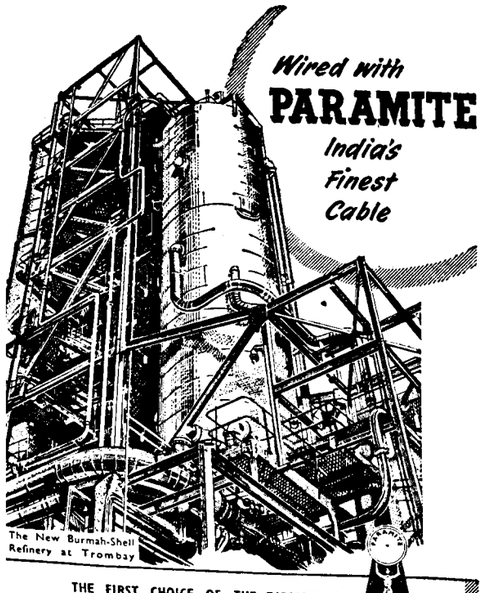
This idea is the nub of our discussion, for it was the conception of the sovereignty of the people that brought the French nation into existence as it had never existed before, embodying them in a truly national state and inspiring them with a sense of national mission. Next, the reaction to the mission, when Napoleon had converted it into an attempt to make France mistress of a multi-national empire, started the birth pangs of nationalism in the subjected countries. Likewise the spread of democratic doctrine after 1815 sparked dormant nationalisms within the Austrian, Russian, and Turkish empires, which were (a) absolutist and (b) multi-national states, in which weaker nations were dominated by an imperial nation. Thus it was that the struggle for democratic freedom has, ever since, been identified with the struggle for national freedom. The British brought these ideas to India.

History does not support the assertions made (for understandable reasons) by Indian nationalists in pre-Independence days that the empires of Asok the Moghuls, were national Indian states, any m fifteenth century England or pre-Revolutionary were national states. In all these cases, Ind European, only the ruling castes of Magadha, England, or France, had any embryonic sense tionality; the outcome of the wars that they fou of dire importance to them, but only of indirect to the masses.

The "Indian nation" came gradually into b the first time in the minds of those nineteenth patriots who first conceived it; and as the stru independence intensified from decade to dec conception spread and came closer to reality did not reach down into the masses until G genius planted it there. After him, Pandit Ne done most to cultivate an Indian nationality an masses and, of course, the achievement of Indep in 1947, followed in turn by the great General of 1951, have nourished it—but I do not think t one with a sense of history, conscious of t passage, and the gorgeous panorama, of the c could argue that the tree is as yet more than a It needs to develop roots, solid, deep, anc spreading.

The smaller "nations" within the Indian s be sources of richness, but it is foolish to de they also contain the seeds of potential disunit tatorships, whether of the old-fashioned type guised as "of the Proletariat", will divorce the "nations" and peoples from the Indian states a mote discord that can end in disaster. It is im that democracy, which identifies the "natio peoples with their state, gives them "a stake state", be cultivated and strengthened.

We will elaborate these ideas next week.



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

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A DELHI DIARY

MEA CULPA

BEFORE I delve into the numerous new events I must correct an error in the Delhi Diary of last week. When quoting extracts from a leading daily paper, I made an error in asserting that its Special Representative had said one thing one day and contradicted it the following day. It has now been drawn to my attention that the important words 'Reuter adds' should have been noticed by me on the latter occasion. This clears the Special Representative concerned of inconsistency and involves me (alas!) in a reporting inaccuracy. I tender my apologies for this particular factual error or for any other that that piece contains. But (obstinate man that I am!) I adhere to my opinions which have stirred many dovecotes amongst my journalist friends. Perhaps they would say—only they are polite—that only he that is without sin should throw the first stone. I am quite prepared to begin my own examination of conscience!

A WELCOME DOCTRINE?

The main interest, so far as I am concerned, this week has been the arrival, with great stimulus to economic discussion, of two brilliant foreign practitioners, of the dismal science, Prof. Colin Clark, Director of the Agricultural Economics Research Institute, Oxford, and Prof. A. P. Lerner of Roosevelt College, Chicago and now Economic Adviser to the Government of Israel. Prof. Lerner caused consternation when he unfolded the doctrine that inflation had no direct relationship to deficit financing. He was speaking on "Economic Development and Inflation" at a public lecture under the auspices of the Delhi School of Economics. One does not know whether he was attuned to the climate when delivering this revolutionary piece. But more than one member of the Governing Board of the Delhi School of Economics (which includes the Finance Minister and the Deputy Chairman of the Planning Commission among its members) will find in this thesis comfort and consolation for a bigger and better plan; can it be that economic theory is following hard on good economic practice?

Actually Prof. Lerner was misinterpreted in newspapers because of the omission of many of the qualifications to his original statement, such, for example, as the contribution of deficit financing to the full utilization of resources and the balance between scarce and unscarce resources. In any case he was held in check by Prof. Colin Clark who sounded a note of caution. He thought that a plan which provided for a rise of 5 per cent of real income per year was one which was possible but, in Indian conditions, likely to be very exacting.

GREEDY HOUSING

Prof. Colin Clark also expressed himself in private discussions against an undue allocation of resources towards housing, which, it appears, is an excessively greedy consumer of scarce capital in every country of the world. In India, with high figures of construction costs, construction is greedier than ever. He did not think it wise for the public sector to assign any considerable sum for this purpose. The issue was raised at one discussion whether the Government could possibly afford to be different in this matter. It was put brilliantly by a high authority when he said that, owing to pressure in resources, we may have to accept existing slums to some extent. But we cannot go on building slums. This sounded a crushing retort and was, for the moment, victorious, but I am wondering whether the issue was fairly and squarely settled by this declaration. The truth is that new housing—financed either by the private or public sector— is effectively capital withdrawn from productive purposes. The question is whether slum abatement, new or old, should be given priority over productive uses of capital for other purposes. It is arguable that industrial housing of certain minimum standards must be maintained for productive efficiency. If that is their major effect, it is conceivable that this is a productive cost; in other words, such housing is no detraction from the capital for productive purposes. If, however, the scale of housing is somewhat in excess of immediate needs for that purpose, it really is a measure designed to increase future unemployment. Would it be acceptable to the country that we should avoid slums by according a high priority to new housing at the expense of the solution of unemployment? This is a nice dilemma which I propose to leave hastily after having released it to add to the general economic confusion on the subject of capital priorities!

A NEW ASIAN OFFICE

My main interest was not in Colin Clark's assessment of capital priorities. Frankly it was in his more general discourse on 'Freedom and Economic Development' at 5 Hailey Road where the Congress of Cultural Freedom has opened its new Asian Office. This was the first meeting which is to be followed by discussion groups in which economic, social, and cultural problems will each receive due and detailed attention. I welcome the opportunity now afforded by the Congress of Cultural Freedom to get on with its cultural pursuits. Alas! there is some substance in the complaint that it has hitherto involved itself excessively in that (happily declining!) source of distraction called the Cold War.

At his address, Colin Clark pointedly referred to the comparative rate of economic progress in Communist and non-Communist countries. He asserted that there was no evidence whatsoever to show that, when its failures of its agricultural production were taken into account, the Russian rate of economic progress was much in excess of 2 per cent per capita, a rate which had been exceeded by many democratic countries and, in particular, by one Asian country, Japan, which had reached the highest rate of economic progress of any country of the world. Colin Clark was not allergic to the idea that India might be the country most likely to emulate Japan in the next ten years, although, as stated above, he thought that a figure of rise of 5 per cent per year was a little on the ambitious side.

WHAT IS AN OLIGARCHY?

I have wisely left to the end his blunt description of India's political system. He said, bold man that he is, that India today is governed by a benevolent oligarchy "which is slowly trying to convert itself into a democracy". This drew fire from Mr. Ashok Mehta who proposed an interesting vote of thanks. I wonder, however, whether the difference is really not a question of definition. I do not think that Colin Clark could have meant that our benevolent oligarchy was not responsive to criticism and is not based on consent. He was obviously referring to the concentration of power in a few hands instead of a democratic dispersal of authority. I fear that my definition of oligarchy does not allow me much latitude in opposition. But, being skilful at passing the buck, may I ask: What is an Oligarchy?

Economic Report from the U. S.

SOVIET INTEREST IN U.S. ECONOMY

(By Guy Sims Fitch)

NEW YORK, Aug. 2.—History often has a way of repeating itself. Events do not recur in exactly the same way, but sometimes the patterns are strikingly similar. This is being brought to American business men these days by the renewed Soviet interest in U.S. economic progress and methods. Soviet farm experts, touring the American midwest, are picking up ideas for boosting farm production at home. An American farm group is touring the Soviet Union, on invitation from Moscow, exchanging ideas with Soviet farm managers in the Ukraine and other agricultural areas.

The National Sales Executive Club, an organization of American marketing specialists, disclosed last week that it has received an "unofficial" invitation to send a team of experts to Moscow next year. Presumably, they will explain American sales techniques to the directors of the Soviet economy, and will help them improve their distribution of consumer goods. And now comes a report of broadening Soviet interest in peaceful trade with the United States. According to the U.S. Department of Commerce, U.S. trade with the Soviet 'bloc' of Eastern Europe showed a modest rise during the first quarter of 1953. Export license approvals included such new items as aluminium chloride, citric acid, and truck tires. In addition, an application to export 500 new automobiles to Communist Bulgaria was approved in the second quarter, and does not show up in first quarter data.

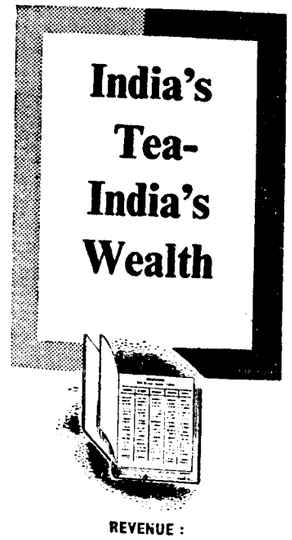
The serious lag in Soviet agricultural production has been cited by Soviet officials themselves. They also have complained openly of labour shortages and low worker productivity in Soviet industry. And they have publicly reprimanded economic managers for not giving enough consideration to consumer needs. The Soviet farm delegation in the U.S. is amazed at how few hands are needed on America's efficient family farms. According to reports, the U.S. delegation in the Soviet Union is equally amazed at the large number of people needed to work Russia's huge collective farms.

Business men here with some knowledge of Soviet industrial methods point out that industrial production goals in the U.S.S.R. have been met largely through the use of excessive manpower. But, now, labour has had to be drafted out of the factories to work in new agricultural areas because of the farm problem. This may well explain the Soviet interest in advanced U.S. industrial and agricultural techniques. It also may explain the increased Soviet interest in industrial machinery, farm equipment and other goods from the U.S., and other Western countries.

All this has a familiar ring to Americans who recall how U.S. technicians and equipment helped the Soviet Union overcome its economic difficulties some 25 years ago. At that time, when the Soviet leaders were struggling with their industrialization plans, American industry helped build Russia's basic steel industry. American engineers designed and supervised construction of the huge Dneiper River Dam, then one of the world's largest. American farm experts taught the Communists the know-how of large-scale wheat production. U.S. companies also built cement plants, grain elevators, flour mills, automobile factories and tractor plants in the U.S.S.R. American aid contributed to the development of many other Russian industries, including iron, coal, asbestos, aluminium, petroleum, paper, textiles, meat, chemicals and precision instruments.

Soviet leaders themselves concede, during the days of the World War II alliance, that American know-how and machinery were largely responsible for putting in place most of the big industries founded in the Soviet Union at the time of the War. In later years, Americans were no longer as welcome in the Soviet Union. Some U.S. companies have long since given up trying to collect payments owed them by the Soviet Government for services rendered.

Recalling these events and the post-war period of Soviet non-co-operation with the Free Nations, American business men want to be sure of the sincerity of the Soviet Union's interest in the peaceful exchange of ideas, goods and services. Moreover, they see two big hurdles still in the way of expanded U.S.-Soviet trade: the shortage of exportable goods in the Soviet 'bloc', and the difficulty of doing business with Communist State-trading nations. But business men are wondering whether the present Soviet leaders may not again be calling on American know-how to straighten out kinks in the Soviet economic system. This is a formula that paid large dividends to the U.S.S.R. a quarter of a century ago, and helped transform it from a relatively primitive to a relatively advanced industrial power.



WORLDGRAM

AGRICULTURE

Commonwealth Wool Production: Australia, New Zealand and South Africa have each marketed wool clips of record size in the 1954-55 season. Australia—which only a few days ago issued estimates foreshadowing that the coming season's clip would reach 4,016,000 bales—has achieved a 4,000,000-bale clip in 1954-55 season. New Zealand, for the first time in her history, has sold more than 1,000,000 in a a season, the figure for the 1954-55 season being 1,002,863 bales, compared with 941,320 bales in 1953-54. In South Africa in 1954-55 the season's clip was the largest in the history of the country, with sales exceeding 1,000,000 bales and realizing £58,833,245.

*

Increasing Production of Coconuts and Arecanuts: To meet the increasing demand for coconuts and arecanuts both from industry and the consuming public, the Union Ministry of Food and Agriculture has launched a campaign for increasing yields of these crops on the lines of the paddy and sugarcane promotion drives undertaken previously by this Ministry. Steps are being taken by the State Governments of Madras, Bombay, Travancore-Cochin, Assam, Mysore, Saurashtra, West Bengal, Orissa, Andhra and Coorg, where these crops are mainly grown, to popularise improved agricultural practices including adequate and timely manuring. Information on better cultivation methods is being made available to the growers by the distribution of instructional pamphlets through Agricultural department officials and village level workers.

*

Nicaragua's Cotton Production: Cotton production in Nicaragua during the 1954-55 crop year is estimated at 175,000 bales, an increase of 60 per cent over production of 109,000 bales in 1953-54. In the first four post-war years, 1954-48 cotton production averaged only 4,000 bales per year, but since then it has increased rapidly. As annual domestic consumption amounts to 5,000 bales, nearly all of Nicaragua's cotton is available for export. The principal purchasers have been Japan, Western Germany, the United Kingdom and the Netherlands.

*

World Agricultural Output in 1954-55: For the first time since World War II, total world agricultural production failed to rise above the level of the previous year. Small gains, in production in Western Europe, Latin America, and the Far East were offset by fall in North America and the Near East. According to a report of the United Nations Food and Agriculture Organisation, on the whole the world food position despite some progress in production still presents the long-standing problem of unequal rates of progress among different regions and wide disparities in consumption standards.

*

Rape, Mustard and Gram Crops Yield in Pakistan: The final estimate of the area under rape and mustard crop in Pakistan for the year 1954-55 is 1,803,000 acres as against 1,631,000 acres reported in the final estimate of the previous year, and shows an increase of 10.5 per cent. The final estimate of the area under gram crop for the year 1954-55 is 3,102,000 acres as against 2,767,000 acres reported in the final estimate of the previous year, and shows an increase of 12.1 per cent.

INDUSTRY

Crude Steel Production in Italy: Italy produced, 440,000 tons of crude steel in March 1955, a new monthly record. The previous record set in January 1955 was 427,000 tons. For the first three months of 1955, crude steel production totalled 1,265,000 tons, 28 per cent more than in the corresponding period in 1954; and pig-iron production was some 15 per cent greater than in the same period last year.

*

Industrial Output in Japan: Japan's industrial production is likely to reach a value of 8,232,000 million yen in the fiscal year 1957, according to blueprints of the Economic Council Board. The projected yearly rate of increased production will be 3.9 per cent in the current year, 4.1 per cent in fiscal 1956 and 4.7 per cent in fiscal 1957. It is claimed that with continued U.S. aid and expanding trade with the Republic of China, Japan's international accounts would be balanced in 1956 and 1957.

*

General Classification of Coal: The draft standard issued by the Indian Standards Institution prescribes a general classification of coals available in India. It also indicates the different uses of coals and the kind of coal suitable for each purpose. The general classification recommended in the draft consists of ten subdivisions of three main types of coals, namely, anthracite, bituminous coals and lignite. These subdivisions are based on graded varitions in four inherent characteristics, namely, volatiles, calorific value, moisture and caking nature.

*

Tentative Standard for Bicycle Chains: The Indian Standards Institution has published a tentative Indian standard specification for bicycle chains which covers the dimensions of full length chains and the tests to be applied to them. Only these dimensions which are considered essential for the purpose of facilitating the smooth working of chains on the chainwheels and for their interchangeability have been specified. It is intended that other dimensions should be left to the discretion of individual manufacturers.

*

Fertilizer Factory in Egypt: Six tenders submitted by nine foreign countries (including Britain, France, Italy and West Germany) are under study by a special Committee appointed by the National Development Council in connection with the construction and equipment of the proposed fertilizer factory at Asswam. The capital of the new company will be £E.15 million in which the Egyptian Ministry of Finance, the Production Council, the Agricultural and Co-operative Bank, Misr Insurance Co. and Supreme Agrarian Reform Committee will participate.

TRADE

Export Promotion Council for Plastics: An Export Promotion Council for Plastics has been set up to encourage the export of plastic goods. The Council which has been registered under the Indian Companies Act with its office in Bombay will undertake market studies in foreign countries, send out trade missions and appoint representatives in foreign markets to promote the export of Indian plastic goods. It will also collect statistics and other information regarding the manufacture or trade in plastics in other countries, lay down standards of quality and packing for export of plastics and investigate complaints received from foreign importers.

*

Foreign Sea and Air-Borne Trade of India in June 1955: The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during June 1955, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: Merchandise, excluding transit trade of Pakistan but including that of other land frontier countries: Exports: Rs. 4595 lakhs; Re-exports (transit trade—Rs. one lakh):

Rs. 62 lakhs; Imports (transit trade—Rs. two lakhs): Rs. 4933 lakhs; Total total trade: Rs. 9590 lakhs. Treasure: Exports of Currency Notes: Rs. 9 lakhs; Exports of others: Negligible; Imports of Gold; Rs. one lakh; Imports of Currency Notes: Rs. 83 lakhs; Imports of others: Nil. Balances of Trade: The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures and to the exclusion of figures for transit trade, the total value of exports (including re-exports) of merchandise, gold and silver fell short of imports by Rs. 276 lakhs.

*

Trade Agreement Between France and Lebanon: A trade agreement has been signed between France and Lebanon. According to the terms of the Agreement, France will credit the Lebanon with £L.45 million with which the latter will buy French goods. This loan will be repaid within five years. France has undertaken to supply the Lebanon with the goods needed for her projects and to import from her citrus fruit and tobacco. Further, French Government will encourage the exploitation of French capital in the Lebanon.

*

Indo-Malayan Trade: Total trade with India during December 1954, amounting to M.$16.0 million in value, was made up of M.$6.8 million worth of imports from India and M.$9.2 million worth of exports to India. This resulted in a trade balance of M$2.4 million in favour of Malaya, against an adverse balance of M.$1.5 million during December 1953. Indo-Malayan trade during the year 1954 resulted in a trade balance of M.$42.1 million in favour of Malaya, compared to a favourable balance of M.$13.6 million during 1953. While Malayan imports from India dropped by M.$12.5 million in 1954, compared to 1953, Malayan exports to India went up by M.$16.0 million.

*

Export Duty on Tea: The Government of India have issued a Notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 2-9-9 per lb., as against Rs. 2-6-5 per lb. in force from July 1, 1955. The export duty at this price will be As. 6 per lb which means an increase of As. 2 per lb. as compared with the duty hitherto in force.

FINANCE

Tax Reduction in the ECCS: The treaty establishing the European Community for Coal and Steel authorised the High Authority to levy a tax, not exceeding 1 per cent, on the average value of the coal and steel produced within the Community. The proceeds of this tax were to be used mainly to cover the administrative expenditures of the ECCS and to constitute a Guarantee Fund, which would guarantee the borrowings of the High Authority. After a short transitional period, the tax was fixed, beginning with the second half of 1953, at 0.9 per cent. At the end of February 1955, the Guarantee Fund's resources totalled US$60.4 million. As this was considered a satisfactory amount, the High Authority decided to reduce the tax to 0.7 per cent for the second half of 1955 and to 0.45 per cent beginning January 1, 1956.

*

Subsidised Industrial Housing Grants: A sum of Rs. 9,72,000 as subsidy and an equal amount as loan has been granted to the Government of Bombay for the construction of 570 single roomed and 90 double roomed tenements. Government of Hyderabad gets Rs. 8,36,420 divided equally as subsidy and loan. The Government of West Bengal receives a subsidy of Rs. 6,48,000 and an equal amount of loan for building 283 single roomed tenements—at Motijheel, Dum Dum. A sum of Rs. 43,600 divided equally as subsidy and loan has been given to the Government of Travancore-Cochin for constructing 13 single roomed tenements at Karamana. Sri Jai Somnath, Co-operative Housing Society Ltd., Ahmedabad has been given a loan of Rs. 1,43,620 and a subsidy of Rs. 71,810 for constructing 26 single roomed and 60 double roomed tenements at Ahmedabad.

*

Grants and Loans for Increasing Food Production:: The Government of India have sanctioned a loan of Rs. 27 lakhs and a grant of Rs. 2.5 lakhs to Madhya Bharat for partially financing a scheme of sinking new and repairing old wells in the State. This forms part of the Centre's aid of Rs. 5.7 lakhs as grant and Rs. 63 lakhs as loan for the Grow-More-Food Programme of the State in 1955-56. The present target of the scheme, which will cost Rs. 41 lakhs, is 8,000 wells. For the construction of minor dams and the installation of 300 Persian wells, the State has also received a loan of Rs. 2.8 lakhs and a grant of Rs. 25,000.

*

MISCELLANEOUS

Employees' Provident Fund Scheme: The refixation of time limit after which the workers become entitled to employers' contributions at 15 years as against 20 at present, was recommended by the Central Board of Trustees of the Employees' Provident Fund Scheme. The meeting also recommended to the Union Government that advances from the Provident Fund accumulations may be granted to members for the construction or purchase of house or house-sites. The Trustees also recommended that members should be allowed a refund of the amount due to them under the Scheme after a waiting period of six months only against the present period of one year. Among other recommendations of the Board are: Scaling down of the period of membership for proportionate payment of the employers' contributions namely, 85 per cent after 10 or more years membership; 75 per cent after 5 to 10 years membership; 50 per cent after 3 to 5 years membership and 25 per cent after less than 3 years membership.

*

Pakistan's Six-Year Plan: Two hundred and sixty eight projects are now at various stages of execution in Pakistan under the six-year National Development Plan. Of these, 135 aim at increasing food production. Twenty-eight schemes are in hand for improving irrigation facilities. Industrial development comes next both 36 schemes, followed by power development with 27 schemes. Another 25 projects have been launched to improve transport and communications, while 17 schemes are being implemented in the social field. The Central Government's direct outlay on various projects up to March this year amounted to more than 444 million rupees.

*

More Steel Plants to be Set Up: The Minister for Commerce and Industry, has revealed that more iron and steel plants were proposed to be set up in the country, in addition to those for the establishment of which agreements had already been signed and construction work was in progress. Two schemes for establishment of steel plants to be owned and run in the public sector, had been approved by the Government of India. There were now three main steel works in the country. Two of them, the Tata Iron and Steel Co., and the Indian Iron and Steel Co. were big units and were in the private sector. The third unit which was smaller—Mysore Iron and Steel Works, was owned and operated by the Mysore Governmeit.

NEWS IN BRIEF

INDIAN

Under the Central Social Welfare Board's training programme for Gram Sevikas, a batch of 1,000 Sevikas is at present receiving training at Centres run by the Kasturba Memorial Trust.

*

It is reported that Bamboo forms over 60 per cent of the indigenous raw materials used for paper manufacture in the country, and the annual consumption of bamboo in the industry is about 3 lakh tons.

*

India's exports to the Soviet Union increased from Rs. 1.15 crores in 1953-54 to Rs. 2.11 crores during 1954-55, while her imports from that country increased from Rs. 59.7 lakhs to Rs. 1.61 crores during the same period.

*

There were 31 sugar factories employing 33,900 workers in the country in 1932 and the numbers rose to 170 and 91,997 respectively in 1953.

*

The total man-hours lost as a result of the recent labour strike in the Kanpur Textile Mills was 1,03,23,762.

*

The Government of India have decided to award during 1955-56 a limited number of Post-school scholarships of the value of Rs. 100 P.M. to the blind students for post-Matriculation education and for professional training.

*

The Union Education Ministry sanctioned a sum of Rs. 107 lakhs during 1954-55 for extending educational facilities to students belonging to the Scheduled Castes and Scheduled Tribes and other Backward Classes.

*

The Second International Soil Fertility Training Centre has been opened in Hyderabad. The centre has been jointly sponsored by the Union Ministry of Food and Agriculture and the F.A.O. of the U.N.

*

Thirty-two maternity and child welfare centres were opened in rural areas during the year 1954 and grants amounting to Rs. 5.69 lakhs were paid by the Central Government to the State Governments during 1954-55, for this purpose.

*

The annual production of Quinine Factory at Annamalai, Madras, is 60,000 lbs. of quinine sulphate and 30,000 lbs. of cinchossa febrifuge. The estimated annual production of quinine in the country was 1,40,000 lbs.

*

Twenty-two maternity and child welfare centres were opened in rural areas during the year 1954 and grants amounting to Rs. 5.69 lakhs were paid by the Central Government to the State Governments during 1954-55 for this purpose.

*

Four new Veterinary Colleges are to be opened according to the decision of the Planning Commission, in the States of Andhra, Orissa, Madhya Bharat, and Travancore-Cochin.

*

It is reported the Government of India is likely to take over entirely the Hindustan Housing Factory, now run by it in partnership with a private firm.

*

The Union Ministry of Rehabilitation is reported to have evolved a scheme for opening regional cottage industry centres for the benefit of displaced persons.

FOREIGN

It is reported that the Government of Pakistan is considering a proposal to set up a national steamship Corporation at an estimated cost of Rs. 3 crores. The scheme envisages the acquisition of 15 ocean-going ships to provide a fast and cheap link between East and West Pakistan.

*

Descriptions of 20 patents held by the Atomic Energy Commission (A.E.C.) have been released for civilian use. The A.E.C. will grant royalty free licenses on the patents, as part of its programme to make technological information available for industrial uses.

*

A handbook 'World Weights and Measures' just published by the United Nations Food and Agriculture Organisation, contains detailed information on the systems and units of measures currently in use in each country of the world.

*

The Government of the U.K. proposes to bring a Bill making the registration of agreements relating to restrictive practices compulsory, and setting up a tribunal to examine such practices.

*

It is reported that the Government of Southern Rhodesia is to conduct research into the use and development of solar energy as a heating and driving force.

*

America's gross national output reached a seasonally—adjusted annual rate of $383,000 million during the second quarter of 1955.

*

The Telephone factory at Haripur, in the N.W.F.P., for the manufacture of telephone exchanges and accessories is in the advanced stages of construction. The factory is likely to go into production very soon. The total cost of the factory is estimated at Rs. 76 lakhs.

*

A school, where students are taught primarily the mechanic's of how to move earth has been set up in the province of Sind, in West Pakistan, where the Government is trying to convert thousands of acres of desert into arable land.

*

Yugoslav exports in the January-May period amounted to 42.5 per cent of aggregate exports foreseen this year. Thus 31.5 billion dinars of goods were exported as compared to the total 74.5 billion this year. The greatest short-falls were noted in the industry and machine building, glass industry, non-ferrous and iron and steel metallurgy.

*

Television is to be used for the first time in a Tanganyika mine to check the smuggling of diamonds. A television net work is being installed in the diamond mines at Shingida, Tanganika.

*

Pakistan has become a member of the International Finance Corporation. Its share in the authorised capital of the Corporation of $100 million is $108,000.

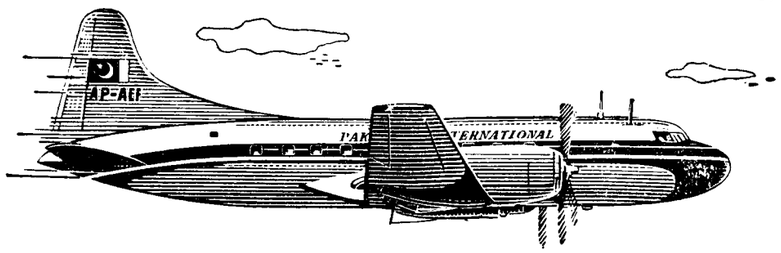
*

The Food and Agriculture Organization has allotted $15 million to Turkey for purchase of chemical products, electric appliances, mining equipment, jute, rubber and tyres, as well as iron.

*

Japan has become the 22nd nation to ratify or accede to the Convention on the Political Rights of Women, under which women are entitled to vote, to hold public office and to exercise other public functions on equal terms with men.

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Special Articles

INDIA'S MARGINAL RATE OF CAPITAL FORMATION

THE figures placed by the Finance Minister on the table of the Lok Sabha on July 27 provide adequate data for determining the marginal rate of capital formation in India as money or real income increases.

The table below presents some relevant figures drawn from the paper in question. It will be seen that between 1948-49 and 1953-54 the percentage increase in capital formation in relation to an increase in national income was highest when the years 1948-49 and 1953-54 are taken as extremities for comparison. In this case, the marginal rate of saving appears to have been 17.6 per cent of increments of income. If we take the period from 1949-50 to 1953-54 the corresponding figure is 14.3 per cent and if we take the period 1950-51 to 1953-54 the percentage is as low as 11.6.

It is thus clear that official figures support the point made by 'The Eastern Economist' in a Special Article in the issue dated May 6, 1955 to the effect that the marginal rate of saving was not likely in official rendering to exceed 15 per cent.

The fact that these official figures have been advanced by the Central Statistical Organisation is very significant. This implies that Professor P. C. Mahalanobis, the head of this Organisation, admits that the marginal rate of saving in India has not in recent years been anything like 30 per cent of the increments of output postulated in the plan-frame. This is the strongest argument that has been advanced against this unreal assumption which is basic to the plan-frame.

It is now for advocates of the assumption that voluntary saving can rise to 30 per cent of an increment of output to advance evidence to indicate that their assumption is capable of implementation in the next six years.

DOMESTIC CAPITAL FORMATION AND NATIONAL INCOME

	National Income at 1948-49 prices	Domestic capital formation at current prices	Domestic capital formation deflated at 1948-49 prices (the ratio used being the same as used by National Income Committee for deflating national income)	Percentage increase in capital formation as compared to increase in national income
	Rs. in crores	Rs. in crores	Rs. in crores	
1948-49 ..	.. 8,650	446	446	
1953-54 ..	.. 9,950	719	675	
Increase ..	..+1,300	..	+ 229	
1949-50 ..	.. 8,820	524	513	
1953-54 ..	.. 9,950	719	675	
Increase ..	..+1,130	..	+162	14.3
1950-51 ..	.. 8,850	589	547	
1953-54 ..	.. 9,950	719	675	
Increase ..	..+1,100	..	+128	11.6

The estimates of domestic capital formation are those published by the Central Statistical Organisation, National Income Unit, in collaboration with the Economic Wing, Ministry of Finance.

PLAN FOR THE PRIVATE SECTOR

THE industrial programme under the second Five-Year Plan for the private sector, which was recently prepared and placed before the Central Advisory Council for Industries, contains only tentative proposals on the details of the schemes. But the total outlay of Rs. 750 crores proposed (in other than coal, sugar and small-scale industries) and the allocation of the proportions of this investment among the individual industries could be substantially maintained. The proposals now on hand—the major items of which are listed in the table below—involve investment of the order of Rs. 630 crores; the general nature of the schemes for the other Rs. 120 crores can be easily understood from these particulars. They reveal in concrete terms the irrelevance of much of the controversy about the character of the second Five-Year Plan argued so far in the abstract. The list consists predominantly of plans for metallurgical, engineering and chemical industries which avoid the usual polemics about hand industries. No one can say that any of these industries should be reserved for cottage industries for labour-intensive methods nor can they be ruled out as unnecessary during the phase of heavy industrialisation proposed under the second Five-Year Plan. It would be possible for the champions of the public sector to argue that many of these must be taken up by the State, were it not for the fact that the public sector will have more than what it can manage under other schemes, which were estimated in the 'Tentative Framework' to involve Rs. 1100 crores in all.

It has now been shown that the Plan-frame estimate of investment of about Rs. 300 crores only for the private sector for industry and minerals is too low, when some of the practicable proposals in the private sector carried over from the first Five-Year Plan and regarded as feasible in the second, are added up to new schemes. It was the general feeling in the Central Advisory Council, firstly, that the outlay proposed is well within the means of the private sector

and secondly, that there is no conflict with the public sector, large investment in which is a necessary condition for providing orders for the various lines of manufacture, directly or indirectly. There is here assurance that the supply of some of the main items of consumer goods, the demand for which will grow under the development outlay on the second Five-Year Plan, will not be placed in jeopardy. Bicycles, paper, lamps and lanterns, radio receivers, sewing machines, newsprint, rayon and staple fibre have thus been planned for. The list includes other lines which are essential for fostering cottage industries, like the provision of additional spindlage to provide employment for the handlooms or caustic soda which will help the cottage soap industry. In many engineering products, the small workshops can play an important role and special provision has been made in the case of bicycle and sewing machines for the small-scale sector.

This is a good beginning as far as planning for the private sector can go at the moment. It is a good basis for further discussions. The details can be filled in as the second Five-Year Plan takes shape. It is not pretended that the employment potential of this Plan is great; only about 335,000 will be employed permanently on the basis of normal working but the schemes cannot be ruled out on that account or substituted by labour-intensive methods. But employment can increase moderately above this figure when other industries, like sugar, coal, heavy machinery and machine tools (on which a provision of Rs. 60 crores has been proposed), drugs, electronics, plastics, plywood, glass, paints and abrasives, nylon and similar products (involving an outlay of Rs. 40 crores) and lastly, small-scale industries, are all added to this already large list.

It has been made clear that there is now some firmness about the fulfilment of targets, which did not exist before. This would involve that financial assistance will be assured and the Ministry of Commerce and Industry hopes to use the National Industrial Development Corporation as a powerful agency of development undertaking responsibilities to the extent of over Rs. 100 crores. The foreign exchange requirements estimated at over Rs. 300 crores need not also present any difficulty.

The investment estimates here presented are exclusive of expenditure on maintenance and normal replacement. As yardsticks of profitability of the investment, certain ratios between the outlay on fixed capital in new units and the value of gross output at current prices (while working full normal capacity) have been given which show a wide variation between 100 : 30 in the aluminium industry and 100 : 340 in electrical lamps. But excluding iron and steel on the one hand and cotton textiles on the other, an average ratio of 100 : 110 is indicated. But these ratios are only very rough approximations and very inadequate guides to policy decisions on the subject. The variations in the investment required per worker are interesting. Between an investment of about Rs. 50,000 to Rs. 70,000 per worker generally required in some chemical industries and of sums below Rs. 10,000 in light engineering lines, there lies a medium group—including cement, paper, dyestuffs, aluminium, ferro-manganese and steel foundries. Perhaps some useful comparisons may be possible when the industrial schemes in the public sector are also framed on similar lines.

INDUSTRIAL EXPANSION IN THE PRIVATE SECTOR, 1956-62

Industry	Investment (Rs. Crores)	Nature of Expansion	New Capacity Proposed	Employment
1. Iron and Steel	125.00	Expansion schemes of existing units	1.5m. tons	..
2. Refractories	5.00	New Units and expansions	400,000 tons	20,000
3. Steel Fabrication (Structural & Wagons)	30.00	Mainly new units	350,000 tons	34,000
4. Iron & Steel Foundries	5.00	3 New units :	(30,000 tons casting (20,000 tons forgings	1,000
5. Ferro-Manganese	9.34	4 New units and expansion of one unit	132,000 tons	1,704
6. Heavy Electrical Goods	2.79	2 units for Transformers	..	4,600
7. Automobiles & Motor Cycles	31.00	Expansion only	22,000 vehicles	..
8. Bicycles	0.48	3 new units and 5 expansions	700,000 cycles	..
9. (a) Electrical Lamps	1.20	Mainly expansion	30m. (Nos)	1,200
(b) Sewing Machines	1.20	2 new units	134,000 (Nos)	1,200
(c) Electric Fans	1.00	Expanded capacity	150,000 (Nos)	4,000
10. Aluminium	19.75	Two units of 10,000 tons each and expansion for 2500 tons	22,750 tons	4,800
11. Cement	66.34	Expansion of 16 units and 24 new units	7.3m. tons	15,000
12. Paper	66.00	19 new units and expansion for 158,000 tons	388,000 tons	28,000
13. Newsprint	12.00	New units	70,000 tons	2,200
14. Art Silk Yarn	18.20	4 new units and expansions	21.4m. lbs.	4,700
15. Cotton Textiles	98.00	Modernization + new spindles	1.75m. spindles) 14,000 looms) 50,000 powerlooms) 120,000 semi- automatic)	170,000
16. Jute	20.00	Modernization + 1 unit	..	900
17. Dyestuffs + by-products	13.70	New units mainly	42m. lbs.	3,400
18. Soda Ash:	14.65	Mainly new units + some expansions	260,000 tons	900
19. Caustic Soda, Chlorine and Bleaching Powder)	6.60	New capacity	87,000 tons) 34,000 tons)	
20. Sulphuric Acid	5.50	New units 237.00 tons: Expansion 95,000 tons	3,350 tons	1,500
21. Cotton, Jute, Sugar and Paper machinery	9.12	Utilisation of existing capacity except in jute	.. Rs. 26 crores worth	700

4%

Bombay State Development Loan, 1967

ISSUE PRICE Rs. 100 PER CENT

Open on the 16th August, 1955.

The loan will be closed as soon as a total of approximately Rs. 600 lakhs has been subscribed, and in any case not later than the close of business on the 31st August, 1955.

The applications will be received at the offices of the Reserve Bank of India, Bombay, Caclutta, Delhi, Madras and Bangalore; at Branches and Treasury Pay Offices of the State Bank of India within the State of Bombay and at the Government Treasuries and Sub-Treasuries in the State of Bombay at places where there is no branch or pay office of the State Bank of India.

Full particulars can be obtained at any of the offices of the Reserve Bank or Branches and Pay Offices of the State Bank of India or at any Government Treasury or Sub-Treasury in the State of Bombay.

The Business World

STATE PURCHASE OF DOMESTIC STORES

THE rapid increase in the range and volume of stores purchased on government account has raised a number of policy and administrative problems. A review of the functions and operations of the Central Purchase Organisation became imperative in the light of the progressive enlargement of the public sector. The Stores Purchase Committee appointed two years ago was charged with an extensive task covering a wide field of purchase activities, but among its assignments two stand out prominently as of basic importance. They are organizational changes necessary in the machinery of purchase and measures to stimulate indigenous industry by accentuating its role as a supplier of stores for the State.

The policy of conscious patronage to domestically produced stores under normal situation has become conventional everywhere and what the Stores Purchase Committee was really called upon to do was to propose ways and means to make the policy effective in practice. The aggregate value of stores purchased by the Government ranges at present a little below Rs. 315 crores of which 60 per cent is accounted for by the indigenous sector and 40 per cent by imported supplies. There is ample assurance from organized industry that a major part of its expansion will be directed towards substituting imported supplies. In the short-period context, the obligation to import capital goods and specialised materials will tend to impart some rigidity to the proportion of supplies from overseas. However, the ominous increase in the idle capacity of several engineering industries a couple of years go must serve as a rude reminder that liaison between State purchase organisations and home industry is poor. There can be no doubt that rationalisation of the machinery and methods of stores purchase will augment the share of domestic industry. The report of the Committee which was released last week makes certain useful suggestions in this behalf.

Organisational reform of the Government Central purchase agencies forms one valuable part of the recommendations of the Committee and probably the most useful suggestion in this respect is the constitution of a Purchase Advisory Council composed of non-officials representing business and industry at various levels. A major shortcoming of the Directorate-General of Supplies and Disposals is the unsatisfactory quality of the commercial experience of its purchase officials at all stages and their inadequate knowledge of the purposes and functions for which stores are required. This is the bane of practically all the government-managed commercial organisations. Lack of business experience and contacts makes the Central Purchase Organisation insufficiently responsive to the problems and requirements of business interests. The proposed Purchase Advisory Council would provide that much-needed liaison between the Government as buyer and the business community as supplier. The pattern of the Export and Import Advisory Councils which is suggested for the operation of the Purchase Advisory Council may prove inappropriate, and it is essential that it should function on the model of the Central Advisory Council of Industries if it is to be effective in its functions and influence.

This is not to underrate the part played by the Central Purchase Organisation. On the contrary the consensus of non-official opinion unmistakably recognizes the value of its services. Its emphasis is on further extension of the scope of its activities provided the resources in personnel and necessary authority are forthcoming. It will be premature for some years at least to broaden the base of the activities of the organisation. Any suggestion to centralise the purchase functions of the State Corporations, river valley project authorities, State Governments, municipal boards, and such other autonomous organisations in the Directorate-General of Supplies and Disposals, as was urged in the course of the evidence before the Committee, ignores the magnitude of the integrated task in relation to the present resources of this organisation. The status quo must, therefore, be maintained for the present and a far-reaching procedural overhaul, as proposed in the Committee's comprehensive recommendations, would prove adequate for the rationalisation of its work before it is enabled to assume new responsibilities. The Purchase and Development Board which is suggested as a supreme co-ordinating and executive authority involves a complex machinery and intricate methods of work. Co-ordination should not be difficult to be achieved at an inter-departmental level and a special Board is clearly superfluous either for this purpose or for serving as an instrument to encourage the development of domestic industries.

The Committee stands on weak ground when it urges what would appear to be a vigorous policy of price preference for indigenous industries. The margin of preference over prices quoted for imported stores is proposed as high as 15 per cent for organised industries (with permissible enhancement up to 25 per cent in exceptional cases), 25 per cent for cottage and small industries with an additional 2 per cent where tenders are submitted by co-operative societies. Economical bargaining is hardly a virtue of State purchase agencies and such preference margins would inflate their buying costs in an appreciable degree. The case for subsidies fails to carry conviction when it is recalled that ample safeguards are provided by protective tariffs and fortuitous aid is offered by import regulation. The policy of discretionary moderate preference was enunciated as early as 1931 and if the purchase officials feel great hesitation in exercising their formal powers, probably on the score of justifying the actual margins awarded, the real corrective is to specify in some elaborate detail the conditions under which discretion should be used. Preference ought to be confined within modest limits.

The issue of payments for Government contracts has proved vexatious and here the Committee's prescription for cure is only partial. The reliefs suggested by way of payment of the final 10 per cent of the price in the case of dispatch of stores by rail within 90 days and of the final price of 20 per cent in the case of supplies of plant and machinery in two instalments within eight months, subject to execution of appropriate indemnity bonds, certainly cannot remove the strain on the finances of suppliers. Unequal treatment is offered to domestic suppliers vis-a-vis suppliers from abroad and neither advance nor progress payments are made to the former. The Committee has suggested a retrograde procedure in recommending abolition of advance payments to foreign suppliers, except in special cases, as a measure to eliminate discrimination. Considering the large amounts of funds which home suppliers will have to invest in working capital in the light of the increasing demands of State projects, extension of advance payments to them is unquestionably essential.

THE CHALLENGE AND THE RESPONSE

By

CROESUS

AS I sat listening to Mr. G. D. Birla's address to the Democratic Group and the Commerce Graduates' Association at the Greens' Hotel, Bombay, last Friday evening, it was not the packed house that impressed me most—surely Mr. Birla has addressed much larger audiences—nor the pin-drop silence that prevailed throughout—who would want to interrupt such an interesting and illuminating address?—but the unanimous acclamation which greeted Mr. Birla's concluding sentences on the occasion: "I have great faith in this country. India is going to be one of the most powerful countries in the world".

That really provided a concrete indication to me—and I dare say to many who were present—of the hopes that people are having of the future of this great land of ours. To a public with this frame of mind what message had Mr. Birla to offer? Characteristically enough, his message took the form of a simple, yet solemn, question. He asked his audience: "What contribution are we going to make so that we may take pride and say later we too have helped in the country's growth and progress?" To contribute one's utmost to the country's progress and to take a just pride for doing so should, indeed, be deemed as the sacred duty today of every Indian, be he a business man or a bureaucrat, an employer or an employee. This explains why, unlike several of his less farseeing compatriots, Mr. Birla asked business men not to mind too much even such things as amendments to the Constitution or threats of nationalisation or irresponsible utterances, at times, of some back-bencher or other. He did not seem to be troubled in the least about the ceaseless controversy about the public and the private sectors either. To him all these have scant significance in the larger context of the vast problems facing the country such as poverty and unemployment, and he is fully convinced that it will take much more than the combined efforts of both the sectors—public and private—to meet this twin challenge. Hence his assertion that only those who are able successfully to meet this challenge will survive. And Mr. Birla voiced his conviction that business men could accept and meet the challenge. What a tribute to our business men! But Mr. Birla also warned them that they would not survive otherwise. "Do this in your own interests", he exhorted to them. I have no doubt that this straight and plain talk will produce the desired results.

Being realistic and practical, as Mr. G. P. Kapadia, Bombay's popular Chartered Accountant, who presided over the meeting, described him, Mr. Birla did take note of the prevailing trends. For instance, he said: "There is no doubt that the position of the private sector is taking a rather serious turn at present. It might mean anything. It might even mean that it will disappear altogether. But that does not depend on any legislature or any particular person. It depends entirely on us whether we are going to survive or whether we are going to disappear from the business world". He went on to explain what he meant by saying "it depends entirely on us". "When I say it depends on us", he said, "what I mean is: how are we going to behave? How are we going to function in the India of the future?"

Dwelling on the role of business men under the second Five-Year Plan, Mr. Birla summed up the problem briefly thus: 10 million jobs and a rise of 25 per cent in national income. It is noteworthy that he regarded this as not only achievable but also imperative. He must have made the authors of the frame Plan estimates sit up when he said that a 25 per cent rise in national income could be realised from an outlay of r Rs. 5,600 crores as they did, but from a more mod outlay, namely, Rs. 3,000 crores. It would be wor the while of the Planning Commission to discuss wi Mr. Birla how such is possible, because, in that ca their present headache about garnering resources the tune of Rs. 5,600 crores would vanish. Evidently, is the idea of this distinguished industrialist-cum-prac cal-economist that one could certainly think of a bett capital-output ratio than the planners have envisage Furthermore, he said that it was no easy task to inve Rs. 5,600 crores unless the requisite extent of forei exchange and personnel was there. Everyone, inclu ing the Union Finance Minister, has admitted that is these two that really constitute our most serio limitations.

About the menace of growing unemployment, e pecially among the educated classes, Mr. Birla showe a rare awareness and sympathy. Unlike most peop who blame young educated men for refusing to follo in the footsteps of their fathers and grandfathers b taking to their profession, he sought an explanatio for this break-away-from-the-past attitude, and rightl argued that such stemmed from the young men's desi to have a higher standard of life. Gone are the day he said, when people did not mind a big man's pros perity; everyone today would want to enjoy simila prosperity. The only solution for this, according t him, lies in making everyone a capitalist in one's ow way, so that one might have some stake and striv for its safety, maintenance and perhaps also enlarge ment. It goes without saying that the combined effor of many on this basis would greatly raise the nation' production and wealth.

To Mr. Birla the controversy between large scale and small-scale industries is a futile one For he expressed the view that in a well knit integrated economy there must be a plac for all—large-scale, medium and small-scale o cottage industries—each being complementary to th other. The big industries must feed the medium one and the medium ones, in their turn, must feed the small-scale industries. This, he said, was what wa happening everywhere and, in this connection, h instanced the example of Birmingham, where, he point ed out, out of some thousands of industries, only about a couple of dozens or so could really be termed as large-scale, all the remaining being either medium or small-scale, the small ones deriving sustenance from the little bigger ones and the little bigger ones from still bigger ones and so on.

While not ruling out the role or minimising the importance of small-scale or cottage or home industries in the country's economic set-up, Mr. Birla wanted his audience to have correct notions about their overall employment potentials. All too readily, there is a tendency among the protagonists of small-scale industries to make too much of the employment potential of small-scale industries and to underrate too much that of big industries. Mr. Birla conceded that, prima facie, small-scale industries provided relatively more employment, but he insisted that, in comparing the employment potential of large-scale and small-scale industries, one must not forget to take note of the allied employment which large-scale industries provide. Thus, he said: "We forget that a cotton mill consumes cotton that is produced by somebody in the field. This cotton again is transported by someone else. Similarly, the stores consumed by the mill give employment to a score or more. Even out of the profits that the

mill makes, taxes are paid to Government and, in the process of spending the tax-proceeds, the Government, in its turn, creates further employment. So, from bottom to top, the cotton mill which produces wealth is simultaneously creating allied employment. My own estimate is that, for every person that is employed in a medium type factory, four more are employed in this allied way. In the cottage industries, on the other hand, there is hardly any scope for such allied employment".

Another inhibition which Mr. Birla could not suffer was the constant dread of nationalisation and, more than that, the frantic effort on the part of some to secure something like an assurance or guarantee against nationalisation. It was his thesis that not much purpose would be served in asking the Government for a guarantee against nationalisation, because he said: "Today the Government which is in power may give a guarantee, but who can prevent its successor-Government from vetoing it?" Instead, all that he wanted of the Government was "tell me what is expected of me. Only after you have given the green signal, don't show the red". This is an understandable stand and the Union Finance Minister too appreciated that there was need for such an assurance at the last meeting of the Central Advisory Council of Industries.

After the Government had assigned a given task to the private sector, Mr. Birla wanted it to take certain further necessary and logical measures. The most important of these, of course, relates to credit. If the Government wanted producer goods industries to have priority under the second Five-Year Plan, Mr. Birla urged it to facilitate the disposal of producer goods by the indigenous manufacturers of these goods. What is happening now unfortunately is that such producers have to face unequal competition at the hands of foreign producers who are prepared to extend credit facilities for as long a time as the importer needs, provided he is known to be a solvent party. Because of this facility, some importing parties would be naturally averse to turn to the indigenous manufacturer of such goods, even when there are such manufacturers, for the simple reason that the indigenous manufacturers cannot extend to them similar credit facilities. This is the raison d'etre of Mr. Birla's proposal at the Central Advisory Council of Industries (which has attracted wide attention and which he reiterated at the Bombay meeting) for the provision of suppliers' credit. This would be feasible if, after making sure of the financial soundness of the indenting party, the Government of India were to ask the indigenous manufacturers of producers goods to supply the goods on credit for a given period against its (Government's) guarantee. The idea, it seems has appealed to the Government and, if implemented, should provide a welcome fillip to both the existing producers goods industries and those that would come into being under the stimulus of the second Five-Year Plan.

I would like to conclude this reaction of mine to Mr. Birla's notable address by only echoing his appeal that the challenge of poverty and unemployment in India today is a challenge to no one in particular but to all—Government, the public sector and the private sector, as also the people at large. Let us not quarrel about who is to meet the challenge but take it upon ourselves to do our best in the same spirit as Mr. Birla who could confidently declare: "This challenge must be met primarily by business men".

TWO SECTORS—TWO PRIORITIES?

By

CROESUS

WHEN I read the speech of Dr. John Matthai, Chairman of the State Bank of India, at the annual general meeting of the Trade Mark Owners' Association of India, Ltd., held some time back, I felt a sense of satisfaction which humble columnists like me always derive when they find that their views are endorsed by eminent men. It is only when one is faced with the realities of the situation that one can appreciate the peculiar problems that parallel ownership of industries give rise to. A State may be depended upon to be perfectly impartial only so long as it has no interest of its own. As between two citizens, for instance, it will judiciously determine as to who has the proper claim without any bias, but when it is called upon to adjudicate between the claims of an industry owned and run by it and those of an industry owned and run by an individual, one cannot be sure that the State will always hold the scales even. I can, therefore, very well appreciate Dr. Matthai's observation that, "as long as we are functioning in a mixed economy, trade marks and other industrial property rights should be adequately safeguarded not only 'inter se' between citizens but also between citizens and the State". He rightly opined that there was a danger that the State, which also participated in trade and industry, might assure for itself a position in regard to those varieties of industrial property which encroaches on the rights of private persons. Being in a privileged position, in that it is the State that has the sole right of registering trade marks and also of refusing to register any trade mark, it may at times tend, or be forced by political pressure, to uphold the claims of industries in the public sector vis-a-vis those of industries in the private sector. Perhaps visualising such contingencies, Dr. Matthai felt like laying down categorically "....the State should not put the rights in the various forms of industrial property it uses any higher than those of private citizens and that, in the adjudication of rights, the same principles should apply, whether the parties are private citizens or one of them is the State itself".

This is a very healthy tradition and deserves to be built up and cherished by India. In the field of trade marks, particularly, the need for protection is paramount, because it is the outcome of years of hard work and ripe experience. It is the State's moral duty to ensure that a person who has made a distinct contribution to this country's economic development in the form of the products he manufactures is afforded all facilties to protect the special brands and trade names of his products, especially after he has taken all the trouble to build up a market and a name for them.

It is not in respect of trade marks alone that the claim of the private sector should receive the same attention as those of the public sector. In the matter of allocation of raw material quotas, transport priorities, and taxation also, industries in the private sector must be treated on a par with trade in the public sector. But one has yet to see signs of complete recognition of this need. Thus, even though the Taxation Enquiry Commission, of which Dr. Matthai himself was the chairman, realised that exemption from taxation of Government enterprises amounted to an indirect subsidy, it was loath to recommend the doing away with this glaring instance of partiality towards the public sector. Similarly, there have been many instances of the transport demands of units in the private sector of the electricity industry being sacrificed at the altar of those of the public sector units of the same industry. Surely there can be no two priorities, one for units of an industry in the public sector and, another for those in the private sector.

BUSINESS NOTES

EXIT JUTE EXPORT DUTIES

QUICK ON the heels of Karachi's decision to devalue the Pak rupee, the Government of India has, with commendable promptness, abolished the export duties on jute goods with immediate effect. Two vital reasons have actuated New Delhi in making this swift move. The first is to counteract Pakistan's increased competitive strength in jute goods in foreign markets as a result of devaluation. Pakistan's lower exchange rate, resulting from devaluation, will now enable her to sell abroad all the burlap that she is in a position to export. Secondly, overseas jute goods manufacturers in Dundee and elsewhere are now placed in a more advantageous position, seeing that henceforward they will have to pay less for raw jute imported from Pakistan. It should be borne in mind that the quality of the Pak jute is superior to the Indian variety and this factor places the Indian grower in a disadvantageous position. The duty abolition may, to some extent, be expected to offset this by enabling Indian manufacturers to compete more or less on favourable terms with their Pakistani counterparts, without at the same time unduly hitting the Indian producer.

Even before devaluation, the Pakistan rupee, in relation to the Indian, remained "devalued" in black-market transactions, since it was quoted at a discount of about 35 per cent. While the legal exchange rate was 144 Indian rupees for 100 Pak rupees, in actual dealings the rate used to hover around 80 to 85 Indian rupees for 100 Pak rupees. Pakistan's devaluation will kill the thriving black-market, and, in effect, "appreciate" the value of the Pak rupee to the detriment of the Indian buyer of Pak jute through normal channels of trade.

When the Indian rupee was devalued six years ago, the export duties were stepped up with a view to mopping up the "excess" profits being made by Indian exporters. The subsequent Korean boom resulted in the export duty on hessian being steeply raised to Rs. 1,500 per ton and sacking to a less spectacular degree. With the end of the Korean boom and the consequent fall in U.S. buying, and the emergence of keener competition from European producers, prices again fell abroad, necessitating further cuts in the imposts. At the time of their abolition on the 2nd inst., the duties were Rs. 120 per ton on hessian and Rs. 80 per ton on sacking. Even these rates were actually hitting Indian jute goods in overseas markets where competition has remained keen, and this fact was brought home to the Government of India by Indian manufacturers who also pointed out that Pakistan had been exporting not only better quality raw jute but more and more of jute goods as a result of increased loomage. According to Pakistan's Finance Minister, his country will be in a position to export Rs. 7 to Rs. 8 crores worth more of jute manufactures as a result of devaluation. Already the value of his country's export of jute goods is about Rs. 125 crores annually. In view of these trends, the Government of India had, for some time past, been considering the question of abolition of the export duties on jute goods. The devaluation of the Pakistan rupee has only hastened New Delhi's decision to do away with the imposts. The decision may at least be expected to enable Indian shippers to maintain their position in the overseas markets, even if it does not help them to expand their trade. As for the outlook for Indian jute mills, it might improve to the extent they can get Pakistan raw jute cheaper, but the possibility of Pakistan raising its export duties cannot be ruled out.

NEW STATE LOAN

THE TIME chosen by the 10 State Governments for flotation of their loans, aggregating Rs. 35.75 crores has been very appropriate, considering the current easy conditions in the money market. Intended mostly to finance capital expenditure of development projects the loans bear 4 per cent interest and are redeemable at par in 1967, but the issue prices differ. Bombay and West Bengal are, for instance, issuing their loans for Rs. 6 crores and Rs. 5 crores, respectively, at par reflecting the financial strength of the States and the sound credit that they enjoy in the money market. Madras, on the other hand, is raising Rs. 7 crores with the issue price at Rs. 99-12 per cent, and Uttar Pradesh (Rs. 6 crores) at Rs. 99-8 per cent. Subscriptions for all the loans will be received from August 16 to 31 which means that enough time (a period of nearly three weeks) has been given to the States to canvas adequate support from the investing public.

However, the largest measure of support is, as usual, expected to come from banks, insurance companies and other institutional investors. Indeed, the present comparative calm in the gilt-edged market may be due to the paucity of dealings by institutional investors who are apparently preparing themselves for subscribing to the new State issues. The loans may be expected to prove a full success since, apart from the easiness of the money market, the Central Government, by not keeping its recent loan on tap as it did last year, and limiting its target to Rs. 100 crores, refrained from tapping the capital market in full and left enough resources for the States to absorb. It may also be noted that some States have announced conversion terms for their loans which mature this year. The 3 per cent 1955 loans of Bombay, Madras and Madhya Pradesh, for instance, will be accepted at par for conversion into their new loans now being issued.

TISCO'S ACHIEVEMENT

PRESIDING OVER the 47th ordinary general meeting of the shareholders of the Tata Iron and Steel Co., Ltd. Mr. J. R. D. Tata had warned the shareholders that there might be a decline of about 10,000 tons in production during 1954-55 and that the Company's scrap export might slow down. The first reaction of the investing public to the publication of the annual report for 1954-55 would therefore naturally be to seek a confirmation of this in the actual working results. According to the report there was a drop in the production of ingot steel by 27,000 tons compared to the peak output of 1,67,000 tons in 1953-54. But the total production of saleable steel, however, was 3,000 tons more than in the preceding year at 783,000 tons. The total supplies of saleable steel made by the Company during the year 1954-55, including the quantity used in the works, was even higher having exceeded the previous year's total by as much as 9,000 tons.

The year under report saw a number of records, especially in the operations of the Company. Thus, the Company's collieries achieved a record production of 1.56 million tons of coal. Similarly, the output of ferro-manganese at 43,363 tons represented the highest output in any year. Thanks to the improvements effected to the blooming mill the output of blooms and slabs in 1954-55 at 897,980 tons reached the highest of the post-war period. Several new records of shift production were also established during the year in the bar mill while production of Agrico tools was nearly doubled. As against this, there was a drop of about

2 per cent in the year's production of pig iron. But this synchronises with a fall in demand for pig iron, caused by the greater availability of scrap within the country, which explained the decline in despatches of pig iron of the Company from 103,000 tons in 1953-54 to only 79,000 tons in 1954-55. The figures of scrap export are not separately indicated. But the Directors state in their report that, in comparison with the previous year, sales of scrap were larger. This should come as a welcome surprise to the shareholders of the Company.

The Financial Picture

Now for a few words about the financial results. After providing for all taxes, Managing Agency commission and depreciation (inclusive of special depreciation for replacements allowed by the Tariff Commission), the profits for 1954-55 amounted to Rs. 3.29 crores as compared to Rs. 3.04 crores in the previous year. After providing for a slightly higher profit-sharing bonus and certain other adjustments, the amount available for disposal was Rs. 2.39 crores as against Rs. 2.18 crores in 1953-54. The appropriations out of the profits for the year under review show an increase under the provision of general reserve at Rs. 31,96,930 as against Rs. 24,25,375 in the previous year and a special provision to development reserve of Rs. 10 lakhs. This provision, it may be noted, is in fulfilment of the condition by which an extra price was granted to the Company from July 1951, with a view to providing for plant rehabilitation. Inasmuch as development rebate is applicable to plant and machinery which will have a life of many years, the Directors have thought it proper to spread the provision over a number of years on the basis of available profits. It is noteworthy that after the appropriations, the amount left to be carried forward stands at Rs. 5,52,548 as compared with Rs. 1,90,324 brought in from the previous year's account. The Directors have not recommended any change in the dividends for the year March 31, 1955, the dividend on ordinary shares continuing at Rs. 10-8 per share.

Explaining the higher profits for the year under review the Directors point out that the higher profits were due to larger sales of ferro-manganese and scrap coupled with a substantial reduction in the provision for taxes approximating to Rs. 40 lakhs. The profits were adversely affected, on the other hand, by a higher allocation in depreciation following the increase in the gross block during the year.

It is seen from the report that, out of the special advance of Rs. 10 crores sanctioned by the Government of India, to meet a part of the cost of the Company's modernisation and expansion programme the Company drew in 1954-55 a sum of Rs. 4.8 crores leaving a balance of Rs. 5.2 crores still to be drawn. However, the total capital expenditure incurred during the year under review on the various projects, including normal annual replacement and improvement to the plant, was of the order of about Rs. 9 crores. Referring to the programme of expansion under the second Five-Year Plan, according to which the Tatas' capacity will increase to a total of about 2 million tons of steel ingots or 1½ million tons of finished steel, the Directors state "technical details of this project are being worked out and negotiations have been initiated for procuring a part of the necessary finance abroad. The preliminary estimate for the project totals Rs. 60 crores, which will be financed partly from borrowings, partly from internal savings arising from the increased steel prices, and partly from the fresh issue of ordinary shares. Specific proposals for such an issue will be placed before the shareholders in due course as soon as the details of the project have been finalised". The Directors' comment on the benefits of the proposed expansion is that 'apart from playing an important part in the expansion of the Indian steel industry, this project will help to maintain or reduce costs, increase the Company's earning capacity, serve to absorb surplus labour, and, in general, add to the financial strength of the Company."

IRAQ—A GOOD BIRD IN THE HAND

IN VIEW of the steady increase in the 'per capita' consumption of cloth in Iraq, there is urgent need for mobilising exports of cotton textiles from India to Iraq. From a study of the statistics relating to imports of textiles into Iraq, it is seen that fortunately India is still second only to Japan in the matter of exports of piecegoods to that country, but the U.S.A., Hungary, the U.K., Mexico, Italy and Czechoslovakia are among the countries that have entered the textile market in Iraq recently. Dress habits of Iraqis also have changed leading to the traditional styles yielding place to European mode of dressing. It is, therefore, rightly felt by importers in Iraq that their offtake from India could be greatly augmented if handicaps to trade were obviated and some necessary improvements effected in Indian textiles.

The latest Bulletin of the Cotton Textile Promotion Council draws pointed attention to the difficulties of importers of Indian textiles in Iraq and observes that the terms of trade and the minimum quantity stipulated by Indian parties make it too stiff for small traders to buy directly from India. In sharp contrast, it is pointed out, India's competitors normally give all facilities to buyers, big or small, so that they are more inclined to patronise countries other than India. Secondly, we are told, there is a pull on duties which works in opposite directions. Thus, while Iraq's import duties favour coarser varieties, the export duty in India works against the export of coarse counts. This probably explains why, although India enjoys a natural advantage over Japan in this respect, it is the latter country which has been able to make relatively more headway in the export of coarse fabrics to Iraq.

Still More Handicaps

Another drawback voiced by importers in Iraq, as in most of our export markets, in regard to Indian textiles is the lack of variety to suit different tastes. Buyers in Iraq claim, for instance, that they can always depend upon a given quantity of dyed or printed material from, say, Czechoslovakia, Japan, Poland or the U.K., to contain many more varieties and colour patterns than what they would get from the same or similar quantity of material received from India.

It is by now a familiar complaint that Indian shipments of cotton textiles invariably reach their destinations, in a damaged and unsaleable condition. Pointing out this drawback, the Texprocil Bulletin recommends improved packing on the lines of the Japanese and the U.K. shipments which are able to withstand rough handling at the ports and the rigours of weather. If Indian exporters and mills would but follow the detailed code issued by the Indian Standards Institution most of the complaints in this respect could be easily obviated. Also in dealing with a country where fashions and buying habits are changing fast, as they seem to be doing in Iraq, it is imperative that an intensive study of the market is made by Indian manufacturers and exporters so as to enable them to exploit the market to the fullest extent.

Meanwhile, it is heartening to note from the latest report on the piecegoods market (for the last two weeks of July) that Iraq is the only bright spot on an otherwise indifferent export front. It would appear that there is a regular booking for Iraq in grey sheetings and bleached longcloth. It would be shortsighted in the extreme to neglect a bird in the hand with such potentialities.

"RETURN" TO POWER UNDERTAKINGS

THE NEED for enhancement of the standard rate of return and provision for deferred tax reserve in the ascertainment of "clear profit" (as defined in the sixth schedule of the Electricity Supply Act 1948) has been voiced by spokesmen of electricity undertakings. The Federation of Electricity Undertakings of India has been urging the Government to amend the Act appropriately. This demand found renewed support from the chairman of the Bombay Suburban Electric Supply, Ltd., while reviewing the working results of the Company for the year ended March 31, 1955, in the course of his address to the Company's annual meeting held recently in Bombay. After making specific mention of the fact that the statutory necessity to make allocations to the Consumers' Benefit Reserves and the Tariffs and Dividends Control Reserve this year—which amounted to Rs. 69,933 each—had made it necessary to withdraw Rs. 19,500 from the Equalisation of Dividends Reserve in order to maintain the dividend this year, he pointed out that that kind of position could only be remedied if the Electricity (Supply) Act was suitably amended to upgrade the rate of return permissible to the Company.

The Indian Taxation Enquiry Commission has made special mention of the issue of deferred tax in the electricity undertakings. The Commission, in its Report, has stated it considers that the best way out of the difficulty will be to allow the concerns to put into reserve any extra surplus that they get as a tax relief on account of the initial and extra depreciation allowances. It has recommended that the Act should be amended so as to permit the creation of such a reserve.

The Bombay Suburban Electric Supply Company has continued its contribution to the progress and development of the suburbs, now reaching out as far north as Bhyander. Sales of energy have been going up steadily, following the State Government's relaxation of restrictions on power consumption.

DHRANGADHRA CHEMICAL'S FRESH ISSUE

DHRANGADHRA CHEMICAL WORKS LIMITED, Dhrangadhra, Saurashtra, have announced particulars of their Plan to issue additional share capital. The subscription list will be opened on 8th August, 1955, and will close when the Directors so decide, subject to the condition that it will remain open at least for seven days thereafter. The authorised capital of the Company is Rs. 3 crores, divided into 2,00,000 Ordinary Shares of Rs. 100 each totalling Rs. 2 crores and 1,00,000 Preference Shares of Rs. 100 each totalling Rs. 1 crore. After allotment, the issued capital will consist of 21,500 Ordinary Shares of Rs. 100 each amounting to Rs. 21.5 lakhs, 43,000 new Ordinary Shares of Rs. 100 each amounting to Rs. 43 lakhs and 60,000 six per cent (tax-free) cumulative Redeemable Preference Shares of Rs. 100 each amounting to Rs. 60 lakhs. The 43,000 new Ordinary Shares have been offered to the existing shareholders. The 60,000 six per cent (tax-free) Cumulative Redeemable Preference Shares are offered to the public for subscription payable at par, of which Rs. 50 are to be paid on application and Rs. 50 are to be paid on allotment. The Preference Shares are an approved investment for insurance companies under Section 27A of the Insurance Act. The company has a bold plan of manufacture of soda ash and it will be one of the two units in this country to manufacture this basic chemical satisfying a large part of the domestic requirements. The company's chemical production programme envisages further expansion in more spheres.

"...for us a solemn occasion when we must look back in a spirit of thanks-giving and humility while viewing our success and achievement."

—Dr. Rajendra Prasad's message to the nation on Jan. 26, 1955.

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COMMODITY NEWS AND NOTES

BIRI TOBACCO: DUTY REDUCED

During the 1952-53 season, the production of tobacco reached an all-time record; but without a corresponding increase in demand, large quantities, particularly of the inferior grades, began to accumulate in the chief producing centres. The position became critical by the beginning of 1954, and as a measure of relief, Government announced, in April 1954, a reduction of 25 per cent in the duties leviable on all old stocks of tobacco produced in the 1952-53 or earlier seasons. This reduction in duty helped considerable quantities of these old stocks to find a market.

A reassessment of the situation recently carried out, however, indicates that a balance of about 70 million pounds of inferior biri tobacco is still lying in the hands of the trade. Government is satisfied that some further relief in this direction would be justified, and it has accordingly decided to make a further 25 per cent reduction in the tariff rate of duty of 0-14-0 per lb. This would bring down the duty on such stocks of biri tobacco to 0-7-0 per lb.

MARKETING OF SKINS

The annual production of raw skins in India is estimated at 368 lakh pieces, of which 293 lakhs are obtained from slaughtered animals and 75 lakhs from animals dying of natural causes. Of the total, 213 lakhs are goat-skins and the rest sheep-skins. The second edition of the report on the Marketing of Skins in India, which has just been brought out by the Agricultural Marketing Adviser to the Government of India contains a fund of information on the production and marketing of skins. The data in the report relates to the year 1951-52 and is based on 1951 livestock census. The position regarding the skin trade has undergone many changes since the publication of the first edition in 1943, and especially after the partition of the country. The sheep and goat population in a number of States like Punjab, Jammu and Kashmir, Rajasthan, Uttar Pradesh, etc., after the partition, has declined heavily due to various causes; thus bringing down the slaughtered figures as compared to the pre-partition figures.

The report also contains several suggestions for the improvement of the marketing of skins in India, such as converting goat-skins into leather before export, remodelling of slaughter houses and provision of facilities for flayers and butchers, scientific drying of skins of rural areas and standardisation of selling and buying skins.

FINAL MUSTARD ESTIMATE

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of rape and mustard, 1954-55, puts the current year's acreage and production at 5,665,000 acres and 962,000 tons, as against the partially revised estimate of 5,534,000 acres and 855,000 tons, respectively, for 1953-54. This shows an increase of 131,000 acres or 2.4 per cent in area and 107,000 tons or 12.5 per cent in production.

The increase in acreage under rape and mustard crop has been reported mainly by Punjab, PEPSU, Rajasthan and West Bengal due generally to favourable climatic conditions at the sowing time. This increase in acreage has, however, been offset to some extent by the decreases reported mainly by U.P. and Bihar. The increase in production has occurred in all States except Bihar where slight decrease in production has been reported.

COTTON TARGETS EXCEEDED

The fact that the cotton production target prescribed by the Planning Commission for the five-year period has been achieved a year ahead of the schedule was underlined by Mr. K. R. Damle in his address to the meeting of the Indian Central Cotton Committee held in Bombay last week. The official estimate of area and output during 1954-55 shows that 18.3 million acres were under cotton and nearly 43 lakh bales of cotton have been produced—which means that the target fixed has been exceeded. The trade estimate regarding cotton production in 1954-55 is much more favourable and, according to the trade, production is estimated at 53 lakh bales, including 2.7 lakh bales for extra factory consumption.

It is gratifying to note that, side by side with the increase in the production of cotton, there has been an upward trend in the offtake of indigenous cotton by Indian mills. Concurrently, the consumption of foreign cotton by Indian mills has been steadily decreasing. On the basis of the figures for the eight months ended April, 1955, it is expected that the mill consumption of Indian and foreign cottons during 1954-55 season would be around 41 and 6.5 lakh bales, against 38.9 and 7.2 lakh bales, respectively, during the year 1953-54. The prospects for 1955-56 are difficult to asses but the season has had a good start. In the second Five-Year Plan, the targets of area and production of cotton have been tentatively fixed at 20.42 million acres and 55.86 lakh bales, respectively, as was recommended by the Central Cotton Committee.



COMPANY AFFAIRS

HASTINGS MILL LIMITED

The Audited Accounts of the Company for the year ended 31st March, 1955, show the following results:

After providing for Depreciation and making necessary allowance for taxation there is a balance of Rs. 8,62,745 at the credit of the Profit and Loss Account including the balance brought forward from the previous account.

This credit balance is recommended to be dealt with as follows:

Final dividend on Preference shares @ Rs. 3 per share	Rs.	75,000
Dividend on Ordinary shares @ Rs. 11-8 per share	„	4,60,000
Carrying forward	„	3,27,745
TOTAL	Rs.	8,62,745

In accordance with the main and supplementary working time agreements of the Indian Jute Mills' Association 12 per cent of the total looms continue to remain sealed and the mills worked 45 hours per week from 12th July, 1954 and raised to 48 hours per week as from 18th October, 1954. The Company's Silk Department, Shree Ram Silk Manufacturing Co., resumed working from 24th October, 1954 after a long gap of closure.

HULDIBARI TEA ASSOCIATION, LIMITED

The Profit and Loss Account of the Association shows a gross profit for the year of Rs. 20,60,450 from which Rs. 6,43,032 have been provided for taxation; Rs. 83,590 for depreciation of assets; Rs. 15,700 for staff expenses and Rs. 50,000 for Staff Reserve. Allowing for these and the other adjustments shown there is a net profit for the year of Rs. 12,80,860 which together with the balance brought forward from 1953 gives a total available on this Account of Rs. 13,77,181. Out of this, payment has been made of an interim dividend of 5 per cent on the 25th January, 1955 and a second interim dividend of 25 per cent on the 28th March, 1955, absorbing Rs. 2,47,500 in all; and there remains a balance of Rs. 11,29,681 which is proposed to be dealt with as follows:

Transfer to Renewals and Additions Reserve	Rs.	1,50,000
Transfer to General Reserve	„	4,60,000
Pay a final dividend of 50 per cent making a total of 80 per cent for the year	„	4,12,500
Carry forward to 1955	„	1,07,181
TOTAL	Rs.	11,29,681

The estimates for 1955 are based on a crop of 21,500 maunds at a total cost of Rs. 23,91,434 equal to a revenue cost of production of 22.21 annas per pound of tea, including the increase in labour wages granted from the 1st January, 1955.

Very severe drought early in the season, followed by abnormally heavy rainfall, affected outturn materially, the crop made being 16,07,368 pounds of tea. Part of this was sold forward on Private contract and the balance disposed of on the very favourable market that prevailed during the year. The increase in production costs reflects the restoration of the estate to full normal maintenance after the enforced economies of the previous year, and the smaller crop made.

BROOKE BOND ESTATES INDIA LIMITED

The report and audited accounts of the above Company for the year ended 30th June, 1954, indicate that the net profit for the year before providing for taxation amounted to .. .. .. Rs. 17,37,519
Deduct Provision for Taxation .. .. „ 7,64,600

Net Profit after Taxation .. .. .. Rs. 9,72,919
Add—Net balance brought forward from the previous year after payment of last year's dividends and appropriations to Reserve .. .. Rs. 12,511

TOTAL .. .. Rs. 9,85,430

This balance was proposed to be dealt with as follows:

Less—			
Pay a dividend at the rate of 6 per cent per annum less income-tax at the current rate on the Preference Shares, absorbing	Rs.	1,54,875	
Pay a dividend at 12½ per cent on the Ordinary Shares without deduction of tax, absorbing	„	4,37,500	
Transfer to Contingencies Reserve	„	2,75,000	
Home Passage Reserve		4,963	
Reserve for Bad and Doubtful Debts	„	7,000	
Write off Leasehold Land and Development	„	80,000	9,59,338
Leaving a carry forward to next year of	Rs.		26,092

The crop harvested amounted to 32,97,535 as compared with our original estimate of 31,60,000 lbs. In this year of extremes the fact that the crop fell short of the record year of 1952-53 by only 38,887 lbs. can be regarded as most satisfactory. The crop estimated for the year 1954-55 is 32,55,000 lbs. The recovery in prices was maintained and the average sale price realised for the year after deducting all tea sale charges and cost of Export Rights was Rs. 1-13-7 as compared with Rs. 1-5-5 for the previous year.

The Directors have recommended payment of the usual Preference Dividend and an Ordinary Dividend without deduction of tax of 12½ per cent. They have also recommended the transfer of Rs. 2,75,000 to a Reserve for Contingencies. Last year it was mentioned that a Preference Shareholder had questioned if the Company was correct in deducting the standard rate of Indian Income Tax from the Preference Dividend; the Directors are arranging for the ruling of the Court to be obtained.

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THIS IS AN ABRIDGED SUMMARY OF THE FULL PROSPECTUS FOR INFORMATION ONLY AND NOT AS A BASIS FOR SUBSCRIPTION

A formal Prospectus dated 26th July, 1955, has been prepared and filed with the Registrar of Companies, Saurashtra, Rajkot.

"Consent of the Central Government has been obtained to this issue of Capital by an order, of which a complete copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them."

"A licence has been obtained from the Central Government for the establishment of a new industrial undertaking for the manufacture of soda ash by the Standard Solvay Process of which a copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it."

The Shares of the Company are officially quoted on the Native Share and Stock Brokers' Association, Bombay.

The Subscription List will open on 8th August, 1955, and will close as soon as the Directors may decide, but so that it shall remain open at least for 7 days thereafter.

DHRANGADHRA CHEMICAL WORKS, LTD.

(INCORPORATED UNDER THE DHRANGADHRA STATE COMPANIES ACT, 1939)

AUTHORISED CAPITAL

	Rs.
2,00,000 Ordinary Shares of Rs. 100 each ..	2,00,00,000
1,00,000 Preference Shares of Rs. 100 each ..	1,00,00,000
TOTAL	3,00,00,000

ISSUED CAPITAL

	Rs.
21,500 old Ordinary Shares of Rs. 100 each ..	21,50,000
43,000 new Ordinary Shares of Rs. 100 each ..	43,00,000
60,000 6 per cent (tax-free) Cumulative Redeemable Preference Shares of Rs 100 each	60,00,000
TOTAL	1,24,50,000

SUBSCRIBED & PAID-UP CAPITAL

21,500 old Ordinary Shares of Rs. 100 each .. .. Rs. 21,50,000

The said 43,000 new Ordinary Shares of the face value of Rs. 100 each have been offered to the existing shareholders.

NOW OFFERED

The said 60,000 6 per cent (tax-free) Cumulative Redeemable Preference Shares of the face value of Rs. 100 each are now offered to the Public for subscription payable at par in the following manner:

Rs. 50 per share payable on application.
Rs. 50 per share payable on allotment.

The new Ordinary Shares will qualify the holders to participate in the dividend proportionately both in respect of time and amount paid from the date of allotment and the new Preference Shares to be issued will qualify the holders to a fixed right to dividend at the rate of 6 per cent (tax-free) per annum from the date of the allotment.

APPROVED INVESTMENT

The Company is advised that the Preference Shares are an approved investment for insurance companies under Section 27A of the Insurance Act.

SPECIAL BENEFITS IN TAX

The Company is advised that exemption from Sugar-tax will be available under Section 56A(2) of the Indian Income tax Act on dividends payable to a company in respect of any shares subscribed by it in the proposed issue of shares. New scrips will be issued with a distinguishing mark or a note to this effect on such shares subscribed by a company in order to facilitate the securing of exemption. The Company will be writing to the Central Board of Revenue for getting their confirmation.

MINIMUM SUBSCRIPTION

The minimum subscription upon which the Directors may proceed to allotment is subscription of 6 per cent (tax-free) Cumulative Redeemable Preference Shares in the Capital of the Company of the nominal value of Rs. 30 lakhs.

Amount offered for subscription within two previous years	Nil
Amount issued otherwise than in cash within two previous years	Nil
Amount paid or intended to be paid to promoters within two years	Nil

RIGHTS OF PREFERENCE SHAREHOLDERS AND ORDINARY SHAREHOLDERS

The said Preference Shares (hereinafter called "the Preference Shares)" carry the right to be paid a fixed cumulative preferential tax-free dividend at the rate of 6 per cent per annum on the capital for the time being paid up thereon from the date of allotment. The Preference Shares, subject to the provisions of Section 105B of the Indian Companies Act, are redeemable at par at the option of the Company at any time after expiration of 10 years by 6 months' previous notice, but in no event later than 15 years from the date of allotment. The redemption may be whole or partial and if partial, shall be decided by lots drawn in that behalf. The Preference Shares carry a right on a winding-up to be paid all arrears of preferential dividend, whether earned or declared or not, down to the commencement of the winding-up and also to be repaid the amount of Capital paid-up or credited as paid-up on the Preference Shares held by them respectively in priority to any payment in respect of the Ordinary Shares, but shall not be entitled to any other rights in the profits or assets of the Company. Subject as aforesaid and to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the Ordinary Shares in the event of the winding-up of the Company the holders of the Ordinary Shares shall be entitled to be repaid the amount of Capital paid-up or credited as paid-up on such shares and all surplus assets thereafter shall belong to the Ordinary Shares in proportion to the amount paid-up or credited as paid-up on such Ordinary Shares respectively at the commencement of the winding-up.

DIRECTORS

Name	Address
1. Sahu Shriyans Prasad Jain, M.P., Industrialist.	29A Carmichael Road, Bombay. **Chairman**
2. His Highness Maharaja Shri Raj Mayurdhwajsinhji.	Dhrangadhra House, Gokhale Road,Poona 5.
3. Seth Ramanlal Lallubhai, Millowner.	Shanti Sadan, Railwaypura, Ellis Bridge, Ahmedabad.
4. Shri Gopaldas P. Parikh, Merchant.	Reid Road, Ahmedabad.
5. Shri Gian Chand Jain, Industrialist.	29A Carmichael Road, Bombay.
6. Shri Bhogilal M. Shah, M.P. Millowner.	The Mahalaxmi Mills Ltd., Bhavnagar.
7. Shri Jagat Prakash Jain, Merchant.	15A Elphinstone Circle, Fort, Bombay.
8. Shri Prem Chand Jain, Merchant.	Dhrangadhra, (Saurashtra).
9. Shri Shashi Chand, Merchant.	Dhrangadhra, (Saurashtra).

Managing Agents.

SAHU BROS, (SAURASHTRA) LTD.,
DHRANGADHRA, (Saurashtra). A Private Company.

Bankers.

THE STATE BANK OF INDIA,
THE PUNJAB NATIONAL BANK LTD.,
Karimjee House, Bombay
& Rajkot.

THE DEVKARAN NANJEE BANKING CO., LTD.,
Bombay & Dhrangadhra.

Auditors.

MESSRS. V. SANKAR AIYAR & CO.,
Chartered Accountants,
Deepak Mahal, Marine Drive,
Bombay.

Legal Adviser.

SHRI TANUBHAI D. DESAI,
Solicitor,
19, Nanabhai Lane, Bombay.

Brokers.

MESSRS. NARANDAS & SONS,
Stock and Share Brokers,
Union Bank Building, Dalal Street,
Bombay.
MESSRS. BATLIVALA & KARANI,
Share & Stock Brokers,
Union Bank Building, Dalal Street,
Bombay.
MESSRS. HARBANS SINGH MEHTA & CO.,
Share, Stock & Finance Brokers,
33, Regal Bldgs., Parliament Street,
New Delhi-1.

Registered Office.

DHRANGADHRA, (Saurashtra).

PROCEEDS OF ISSUE

The proceeds of the issue together with necessary borrowings and Company's own resources will be utilised for meeting the expenditure for putting up the said new undertaking.

FINANCIAL INFORMATION

The working results of the Company for the last four years are as under:

Year	General Reserve	Depreciation Reserve	Dividend Equalisation Fund	Rehabilitation of Plant	Profit	Dividend Declared at the rate of (per cent)
1950-51	15,65,000	20,47,544	1,86,000	..	11,41,885	15
1951-52	15,65,000	20,77,748	3,15,000	3,00,000	21,82,331	15
1952-53	15,65,000	26,77,742	4,40,000	13,00,000	11,46,208	12
1953-54	15,65,000	35,37,248	4,40,000	17,00,000	9.55,873	12

COMMISSION OR BROKERAGE

The Company will pay brokerage and/or commission at a rate not exceeding Rs. 2 per share to recognised brokers or banks on allotments made in respect of the application bearing stamp of such brokers or banks.

INSPECTION OF DOCUMENTS

The Copy of the Prospectus, Memorandum and Articles of Association of the Company, Managing Agency Agreement, the Licence for establishing the new industrial undertaking, sanction for the fresh issue of Capital, Certified copies of the Tripartite Agreement of the Company, Managing Agents and Industrial Finance Corporation and Deeds of 1-10-1952 and 30-6-1953 between the Company and the Industrial Finance Corporation and the original report and certificate of the Company's Auditors as set out herein, will be available for inspection during office hours on working days at Registered Office of the Company until the subscription is closed.

APPLICATION FOR SHARES

Applications should be made on the form accompanying the Prospectus or any typed or printed copy thereof. The said form must be sent together with the necessary remittance to the Company's Bankers, Punjab National Bank Ltd., Bombay, and all its branches and offices OR Devkaran Nanjee Banking Co., Ltd., Bombay, Dhrangadhra and all its branches and offices. All remittances not made in cash should be made either by Demand Draft or cheques drawn to the order of any of the aforesaid bankers. Wherever the aforesaid bankers' commission is payable for the collection of cheques, such commission shall also be paid along with the said remittance. Payments made by cheques by the applicants at their local branches of the Company's aforesaid bankers will be accepted at par. Any cheque not honoured when presented to the Bank shall not be deemed to be a payment. Where no allotment is made the moneys received on application will be returned without interest less remittance charges, if any. If allotment is made for a lesser amount than the amount applied for, the balance of the application moneys received will be utilised towards the amount payable on allotment on shares allotted and the balance, if any, will be refunded to the applicant, less remittance charges, if any.

Company Meeting

Bombay Suburban Electric Supply Ltd.

Speech of the Chairman, Mr. K. G. Milne

Gentlemen,

Sales of energy have gone up by nearly 24 per cent in the year under review. Last year the increase was almost 23 per cent. When it is considered that this substantial increase has been made possible by a limited relaxation of certain types of restrictions, even though stringent controls are still applicable to demands for New Industrial Power Supplies, which in the main are not yet sanctioned, one cannot help but ponder on how much greater your Company's growth would have been had an unrestricted supply of power been available for distribution. Further these figures of increase reveal the magnitude of the pent up, and as yet unsatisfied demand for electricity in the Bombay Region, and consequent on this, the arresting effect which has been imposed during recent years on the economic growth of the area. I make these remarks in no spirit of destructive criticism, and even less in that of the "I told you so" attitude. My purpose is to stress again the vital necessity of adequate power supplies being made ready for economic development always in advance and never in arrear of needs, if our cherished hopes of rapidly raising the standard of living are to be realised. I also want to emphasise the importance of drawing the correct conclusions for the future from past experiences.

The news which came just after your last Annual General Meeting that Government had finally decided to permit Tatas to instal a further 50 MW power plant at their projected Trombay Thermal power station, came as a momentous relief to the worst of our anxieties for the future; but of course the earliest that this Station could go into production to relieve the present shortages would be about October 1956.

Meantime it has been suggested recently that with the commissioning of all three sets at the Government owned Chola Power Station, more power would be available to industries both new and existing. I fear, however that at the most such extra releases would have to be confined to special hours for the time being, as it is understood that the working of certain parts of this Power Station continues to be unsatisfactory.

On the 6th November, 1954, we welcomed the formation of the Bombay State Electricity Board, with Mr. M. H. Hasham Premji, an experienced and successful business man, as its Chairman. I feel this to have been a notable, though too long delayed, step forward.

We do not think that we can be accused of any narrow vision with regard to our own arrangements to perform and extend the work we have to do, namely to provide steady and reliable distribution of all the power which our customers would like to have, to the extent we can procure it for them. The effect of our Six-Year, 1948-54 Development Plan is now being very beneficially felt. We are in a position to cater for load much in excess of that which can at present be released by the authorities, and furthermore to take on additional consumers with a relatively lower rate of annual capital expenditure on the Transmission system. The Distribution system continues to be expanded concomitantly. During the year under review, 25 new Sub-Stations were added and the transformer capacity of 12 existing Sub-Stations was reorganised. Further capacitors were added, as those installed last year brought about a considerable improvement in the overall power factor of the System, with a corresponding saving in costs.

The Company thus continues its contribution to the progress and development of the Suburbs, now even reaching out as far North as the village of Bhayander. Unfortunately the standard of Municipal street lighting in most parts of the Suburbs still leaves a good deal to be desired, and this has been the subject of adverse comment in the Press from time to time. We have no doubt that the Greater Bombay Municipality and the other authorities whom the Company is privileged to serve are well aware of the position, and will in the near future provide the necessary funds in their Annual Budgets to enable the street lights to be improved into line with modern standards. It will be of interest here to mention that a Technical Officer of your Company has been deputed to make a special study of street lighting developments abroad, so that we may make available the very best possible advice at all times.

Looking towards wider issues, I would like to repeat to you what I have already said elsewhere, namely that I myself see no reason to think that either the recent amendment to the Constitution or the projected new Companies Bill holds out any special threat to Electricity Undertakings such as yours, subject however, I must now add, to there being no more drastic changes introduced into the Companies Bill by the Parliament which is about to begin debating it.

There is I think still reason to hope that the "standard rate" of return will soon be upgraded, though I have yet to see the Bill which we were told was to be introduced into the present Session of Parliament. The question of our being allowed to create a Deferred Taxation Reserve is, I understand, also part of the considerations before Government in connection with this Bill.

There are some facts about this Company which I have been urged by shareholders to disclose, in order to assist in removing misconceptions. In the first place 91.7 per cent of the share capital of your Company is held by Indian Nationals, as are the majority of seats on the Board of Directors. Over 80 per cent of the share capital of the Agency Company is held by Indian Nationals, and again the majority of Directors are Indian gentlemen widely known and highly respected.

In the second place I would say that of the total number of shareholders of the Company, 23 per cent own between Rs. 100 and Rs. 500 of the share capital, and 45 per cent hold from Rs. 600 to Rs. 2,500. Only 7 per cent own over Rs. 10,000, and, of these, institutional investors (that is to say other companies also having many small holders) comprise almost the whole. I would commend the serious study of these figures by those concerned with the formation of new legislation and controls, in respect of joint stock enterprises and organised industry within the private sector, for they are true not only of our own Company, but of the general pattern of large concerns operating under free enterprise. What would be revealed by such a study is that far from there being an undue concentration of economic power, the truth is that the weapons of production are owned by a large and continuously increasing cross section of society, which is exactly as it should be in a democratic country poised for a vigorous advance of industrial expansion.

Seven demands were made on the Company during the year by the Union, including those for enhanced wages, and bonus for the 3 years 1950-51, 1951-52 and 1952-53. As no settlement could be reached, these questions have been referred to the Industrial Court for arbitration. The subject is now sub-judice, so I will not dwell any further on it. The Union have more lately also made a claim for enhancement of dearness allowance.

The Staff has continued to work for the maintenance of a high standard of service, and our thanks are as usual due to them for their efforts. I am pleased to report that it has been possible to give them a bonus this year amounting to a little over one month's basic salary.

During the year the scope of application of the Employees' State Insurance Act to your Company has been enlarged. Facilities afforded to the staff under the Act appear to be as yet somewhat unsatisfactory, but it is hoped that they will improve.

I have to report with deep regret the death of the Company's Doctor, Dr. Joseph D'Lima, who had been associated with the Company for many years.

Coming now to the Accounts which are before the meeting, you will be glad to know that the results have been obtained without passing on to our consumers any part of the additional 15 per cent surcharge on the cost of power which was introduced by our Bulk Suppliers from 1st April, 1954. With regard to Additional Income Tax we are hopeful of settling the issue in the Courts before very long, but I fear that any settlement of the question of shareholders' gross-up of dividends may still be a lengthy matter. The Matthai Commission commented and recommended on both these problems in their Report, which you have doubtless read.

The statutory necessity to make allocations to the Consumers Benefit Reserve and the Tariffs and Dividends Control Reserve this year, amounting to Rs. 69,933 each, has made it necessary to withdraw Rs. 19,500 from the Equalisation of Dividends Reserve in order to maintain the dividend this year. This kind of position could only be remedied if the Electricity (Supply) Act were suitably amended to increase the rate of return permissible to the Company, and it is somewhat too early yet to draw final conclusions about the future in that respect. I trust therefore that you are satisfied with the Directors having recommended a final dividend of Rs. 4 per share, making 7 per cent for the year, which is the same as last year.

I now propose that the Directors' Report together with the Audited Statement of Accounts made up to 31st March, 1955, be and the same are hereby approved, adopted and confirmed.

THE RAMAYANA
OF
TULSIDAS
IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

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

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

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

It has been issued in the following four editions:

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

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
September 1954 ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348 8*	377.0	605.4	376.1	90.4	100.5	88.3	116.0
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310 3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	330.6	370.0	567.4*	342.6*	90.8	100.6	87.5	113.2
Week Ending										
18-6-1955 ..	284.9	393.1	330.1	369.3	565.3	343.9	90.8	100.5	87.5	113.9
25-6-1955 ..	288.7*	389.9	332.3*	369.5	563.2*	345.2*	90.7	100.8	87.7	114.3
2-7-1955 ..	299.0	398.7*	329.7*	369.9*	568.0*	350.1*	90.9	100.7	87.6	115.6
9-7-1955 ..	304.0	412.8	331.6	370.6	567.8	354.7	90.9	100.7	87.7	116.9
16-7-1955 ..	317.8	408.3	330.9	370.5	570.1	358.8	90.9	100.8	88.0	118.6

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
1955 January	335	358	210	132	324	372	370	126	333	141	136	134
February	329	345	207	128	310	384	361	126	326	137	135	131
March	324	340	205	127	310	377	360	129	321	133	133	130
April	324	340	200	126	311	352	353	130	314	129	129	—
May	320	336	204	122	—	335	351	—	—	—	—	—
June	—	—	—	123	—	347	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 30-7-1955			23-7-1955			16-7-1955			9-7-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	94-14	94-10	94-12	94-12	94- 1	94- 6	94-13	93- 8	94- 3	94-13	93- 6	93-13
Silver (per 100 fine tolas)	161- 5	160-10	161- 4	160-10	158-12	160- 3	162- 4	158- 7	160- 8	164-12	158-10	160-13

RESERVE BANK OF INDIA
ISSUE DEPARTMENT
(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
December 1954	1,198,02	22,22	1,220,14	40,02	657,15	697,17	57.13	105,32	417,75	1,220,24
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56.33	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104.14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
Week Ending										
17-6-1955	1,321,23	19,05	1,340,28	40,02	652.04	692,06	51.64	104,58	543,64	1,340,28
24-6-1955	1,310,79	30,30	1,341,03	40,02	652,04	692,06	51.60	105,39	543,64	1,341,09
1-7-1955	1,312,72	28,58	1,341,30	40,02	652,04	692,06	51.60	105,60	543,65	1,341,30
8-7-1955	1,321,64	19,15	1,340,79	40,02	652,04	692,06	51.62	105,08	543,65	1,340,79
15-7-1955	1,310,85	30,93	1,341,78	40,02	652,04	692,06	51.58	106,07	543,65	1,341,78
22-7-1955	1,297,99	30,32	1,328,31	40,02	637.04	677,06	50.97	107,60	543,65	1,328,31

BANKING DEPARTMENT
(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1.57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5.90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
December 1954	63,53	12,33	69,12	34,44	179,42	21,44	210,86	22,50	7,28	72,79	1,73	16,91	80,33	9,31
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	196,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,68	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	109	28,61	39,55	29,98
Week Ending														
17-6-1955	57,15	11,79	49,88	22,15	140,98	45,25	196,26	19,20	14,03	64,60†	1,05	28,61	39,04	29,73
24-6-1955	57,83	11,21	54,52	21,84	145,40	45,88	201,29	30,46	10,75	63,93†	80	26,80	37,90	30,65
1-7-1955	58,96	12,34	46,14	35,70	153,14	30,04	193,17	28,69	11,96	61,86†	91	37,20	46,55	6,01
8-7-1955	84,07	17,67	46,87	14,90	163,51	28,76	202,26	19,25	9,96	63,32†	86	41,69	61,24	5,94
15-7-1955	81,74	20,05	52,27	14,81	168,86	29,37	208,23	31,08	9,40	64,36†	80	35,45	61,21	5,93
22-7-1955	79,62	18,90	53,34	14,67	166,53	35,59	212,12	30,47	8,58	79,62†	83	25,40	61,24	5,98

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	61.77	303,43
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
January 1955 ..	576,31	368,39	945,19	32,83	60,31	9.85	476,93	78,24†	58.74	351,33
February ,, ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March ,, ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
Week Ending										
17-6-1955 ..	594,23	393,97	988,19	34,08	48,08	8.31	498,06	114,44†	64.05	345,95
24-6-1955 ..	602,56	393,74	999,29	34,27	52,45	8.68	498,43	111,38†	63.07	346,56
1-7-1955 ..	600,72	397,91	998,63	35,59	47,26	8.30	508,88	108,83†	63.40	350,46
8-7-1955 ..	593,87	399,58	993,45	34,37	45,71	8.06	505,95	110,44†	63.83	358,55
15-7-1955 ..	602,58	402,05	1,004,63	33,77	49,75	8.31	499,45	110,89†	62.75	367,18

* Undivided India.
† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
May 1954 ..	1,830,54	1,229,31	601,23	563,56	37,67	−14,38
June ,, ..	1,798,01	1,199,85	598,16	564,99	33,17	−32,53
July ,, ..	1,769,96	1,167,95	602,01	568,64	33,37	−28,05
August ,, ..	1,764,85	1,159,94	504,91	577,98	26,93	−5,11
September ,, ..	1,767,40	1,166,93	600,47	576,01	24,46	+2,55
October ,, ..	1,791,02	1,179,19	611,83	579,08	32,75	+23,62
November ,, ..	1,801,96	1,182,56	619,40	591,39	28,01	+10,94
December ,, ..	1,843,23	1,218,99	624,28	597,20	27,08	+41,32
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+29,19
February ,, ..	1,910,42	1,267,42	643,00	610,04	32,96	+37,95
March ,, ..	1,976,36	1,307,23	669,13	599,16	69,97	+65,94
April ,, ..	1,998,88*	1,338,65	660,23	614,26	45,98	+22,52
May ,, ..	1,985,61*	1,334,59*	641,01*	616,89*	24,12	−13,27*
June ,, ..	1,985,51*	1,340,94*	644,57*	623,33*	21,23	−10

* Provisional.

MONTHLY STATISTICS

(Monthly Averages or Calendar Months)

	1951	1952	1953	1954	1955			
				December	January	February	March	April
I Foreign Trade								
i By Land, Sea & Air—								
Imports (Rs. lakhs) ..	71,20	67,28	48,39	49,86	52,73	59,16	55,37	51,29
Exports (Rs. lakhs) ..	65,30	51,54	44,30	61,10	54,73	50,39	47,27	39,57
ii Unit Value Index—								
(1948-49=100)								
Imports ..	128	130	115	115	115	116	118	..
Exports ..	160	131	111	127	124	121	106	..
iii Quantum Index—								
1948-49=100)								
Imports ..	108	105	84	87	94	104	96	..
Exports ..	114	106	108	131	122	115	123	..
II Industrial Production								
i Cotton Cloth (Million yards) ..	340	383	407	453	437	402	429	418
ii Cotton Yarn (Million lbs) ..	109	121	126	142	135	125	135	130
iii Jute Manufactures (000 tons) ..	73	79	72	94	84	82	89	86
iv Steel (Ingots & Castings) (000 tons) ..	125	132	126	153	157	138	149	145
v Paper and paper boards (tons) ..	10,993	11,459	11,642	16,357	15,802	14,094	15,049	15,073
vi Sulphuric Acid (000 cwts) ..	178	160	182	273	..	..	..	..
vii Index of Industrial production (1946=100) ..	117	129	135	166	152	159	163	167
III Fuel and Power								
i Coal Production (000 tons) ..	2,859	3,019	2,987	3,503	3,153	3,249	3,304	3,233
ii Coal Despatches (000 tons) ..	2,435	2,566	2,588	2,747	2,672	2,502	..	..
iii Electricity Generated (Million kwh) ..	488	516	559	683	668	626	696	689
iv Electricity Sold (Million kwh) ..	399	420	455	558	545	522	..	..
IV Industrial Disputes: Number of man days lost (000) ..	318	278	282	263	321	144	291	..
V Employment Exchanges:								
i Number on register at the end of the period (000's) ..	329	438	522	610	614	606	..	..
ii Number of vacancies outstanding at the end of the period (000's) ..	22	23	21	29	29	30	..	..
VI Inland Transport:								
i Railway Freight Ton Miles (Millions) ..	2,336	2,372	2,372	..	..	..	..	..
ii No. of Wagons loaded ..	569	584	570	656	671	632	..	..
VII Public Finance: (Central Govt.)								
i Revenue Receipts (Rs. Lakhs) ..	43,86	38,72	..	52,39	46,65	..	..	..
ii Import Duties (,,) ..	11,31	10,67	9,60	11,41	22,68	..	..	..
iii Export Duties (,,) ..	6,84	4,88	3,09	4,70	4 66	..	..	..
iv Central Excise (,,) ..	7,66	6,39	7,85	9,02	9,42	..	..	..
v Expenditure on (,,) Revenue Account ..	23,69	15,67	18,79	14,59	..	..	..	..
vi Cash Balances with Reserve Bank (Rs. Crores) * ..	210	175	110	55	58	47	46	..
vii Money Supply Rs. Crores ** ..	18,22	17,23	1715	1844	1872	1910	1976	1999

** December figures for 1951, 1952 and 1953.

*Last Friday Figures.

NET PROFITS AS PERCENTAGE OF PAID-UP CAPITAL †

Industry	1946	1947	1948	1949	1950	1951	1952§	1946-51 Average
Cotton Textiles ..	33.8	28.7	52.8	17.1	22.1	33.2	9.3	31.2
Jute Textiles ..	20.0	17.5	16.9	††	21.8	24.0	2.8	15.8
Other Textiles ..	15.7	22.4	12.9	5.0	10.8	6·3	12.9	11.5
Iron and Steel ..	23.4	16.3	14.7	21.0	22.4	30.3	26.1	21.5
Engineering ..	3.8	5.2	4.0	4.3	4.0	5.0	3.0	4 4
Sugar ..	11.6	17.3	30.1	11.2	16.1	24.3	19.7	18.4
Chemicals ..	4.9	4.9	1.3	2.8	4.6	4.7	1.0	3.8
Paper ..	23.7	14.6	19.9	25.3	36.1	47.2	31.3	28.1
Vegetable Oil ..	15.1	12.5	10.0	9.0	5.0	†	††	8.2
Matches ..	59.2	41.8	45.9	55.1	45.9	43.9	70.4	49.0
Cement ..	7.7	4.7	6.7	8.7	12.8	16.9	11.5	10.0
Tea Plantations ..	28.2	33.9	20.9	22.2	35.1	20.7	††	26.6
Coffee Plantations ..	11.5	8.0	10.3	12.6	17.2	23.1	8.8	13 6
Coal ..	16.6	14.6	15.3	22.8	18.5	16.8	19.5	17.4
Electricity ..	9.0	10.2	11.1	11.1	10.2	10.2	3.2	10.3
Shipping ..	11.8	††	††	††	2.3	16.2	2.1	4.2
Others ..	12.2	11.3	11.9	12.7	16.5	17.1	12.9	13.8
All Industries ..	16.6	13.8	16.7	10.1	15.1	18.8	8.9	15.2

† Excluding bonus shares issued during 1946-52.
†† Loss.
§ Data are for a smaller number of Companies.

PROFITS DISTRIBUTED AS PERCENTAGE OF PAID-UP CAPITAL *

Industry	1946	1947	1948	1949	1950	1951	1952†	1946-52 Average
Cotton Textiles ..	14.8	12.2	11.0	9.4	8.9	9.7	5.9	10.6
Jute Textiles ..	12.1	13.1	11.3	5.0	9.8	12.0	6.0	10.5
Others Textiles ..	6.0	7.5	5.8	5.5	6.2	4.5	12.9	6.0
Iron and Steel ..	11.6	9.3	10.3	11.6	11.6	13.2	10.5	11.3
Engineering ..	2.4	2.5	2.1	2.3	2.4	2.7	1.3	2.4
Sugar ..	7.2	7.0	7.8	7.3	7.2	9.3	5.8	7.7
Chemicals ..	3.0	2.0	1.9	1.4	3.2	2.9	0.9	2.4
Paper ..	11.2	9.7	9.0	9.8	10.4	12.7	8.9	10.6
Vegetable Oil ..	6.6	5.7	4.4	4.4	3.5	3.5	1.7	4.6
Matches ..	21.4	11.5	8.5	10.6	10.6	10.6	10.6	11.2
Cement ..	6.0	4.1	4.8	5.1	7.2	8.3	7·2	6.0
Tea Plantations ..	19.7	19.2	12.1	13.7	18.7	12.9	3.2	15.8
Coffee Plantations ..	8.0	6.7	7.8	6.7	10.0	14.9	3.2	8.9
Coal ..	12.5	10.2	9.4	11.0	9.6	8.8	7.8	10.0
Electricity ..	7.8	7.6	7.3	7.5	7.4	7.7	2.2	7.5
Shipping ..	5.8	3.4	1.7	1.9	0.9	4.2	1.2	3.0
Others ..	6.7	6.5	4.9	5.9	7.1	8.5	6.1	6.7
All Industries ..	9.1	8.1	7.2	6.7	7.5	8 3	4.8	7.7

* Including bonus shares.
† Data are for a smaller number of Companies.

PROFITS AFTER TAX ON 492 SELECTED COMPANIES DURING 1951 AND THEIR DISPOSAL, INDUSTRY-WISE

(Amounts in lakhs of Rupees)

Industry	Profits After Tax	Profits distributed	Net transfers to reserve	Bonus* Payment	Net Increase in balances carried forward	Retained Profits (4) + (6)	(3) as per cent. of (2)	(7) as per cent. of (2)
Cotton Textiles ..	6,20	4,16	2,47	1	—44	2,03	67.1	32.7
Jute Textiles ..	4,25	2,25	1,59	..	41	2,00	52.9	47.1
Other Textiles ..	24	15	16	..	—7	9	62.5	37.5
Iron and Steel ..	4,26	2,20	2,10	..	—4	2,06	51.6	48.4
Engineering ..	1,15	72	71	..	—28	43	62.6	37.4
Sugar ..	82	55	27	1	—1	26	67.1	31.7
Chemicals ..	47	34	12	1	—1	12	72.3	25.5
Paper ..	1,14	47	67	..	..	67	41.2	58.8
Vegetable Oil ..	10	8	3	..	—1	2	80.0	20.0
Matches ..	45	26	20	..	—1	19	57.8	42.2
Cement ..	2,16	1,21	65	28	2	67	56.0	31.0
Tea Plantations ..	2,29	1,48	76	..	5	81	64.6	35.4
Other Plantations ..	15	9	4	..	2	6	60.0	40.0
Coal ..	88	55	27	1	5	32	62.5	36.4
Electricity ..	1,72	1,32	35	2	3	38	76.7	22.1
Shipping ..	32	12	15	..	5	20	37.5	62.5
Others ..	3,76	1,94	1,41	2	39	1,80	51.6	47.9
Total ..	30,36	17,86	11,96	36	15	12,11	58.9	39.9

* Excluding bonus payments charged to revenue accounts.
Note: The above statistics are based on Questionnaire data for 492 companies. Profits after allowing for depreciation, managing agency commission and taxation.
Source: Taxation Enquiry Commission Report, Vol. I.

INDUSTRIAL PRODUCTION IN INDIA

(Monthly averages or calendar months)

Item	Unit	Latest Installed Capacity	1952	1953	1954	1955 January	1955 February	1955 March	1955 April	1955 May
Coal ..	'000 tons	..	3019	2987	3,067	3,153	3.249	3.304	3.233	..
Sugar ..	,,	113.1	124.5	106.6	90.5	333.1	318.3	306.9	194.9	84.0
Tea ..	Lakh lbs	..	512.1	504.8	53.1	8.3	7.8	9.2	31.3	..
Cigarettes ..	Lakhs	20208	16766	16528	17,195	19,130	16,240	14,600	..	..
Cotton yarn ..	,, lbs	..	1208	1255	1,303	1350	1,250	1,350	1,300	1,250
Cotton cloth ..	,, yds	..	3832	4,065	4,167	4,370	4,020	4 290	4,180	4,010
Jute ..	'000 tons	..	79.3	72 4	77.3	83.9	81.8	88.9	85.7	81.7
Woollen Manufactures	,, lbs	1667	1382	1,604	1,563	2,027	2,044	..	..	..
Plywood ..	,, sq. ft.	12000	7545	5100	6,439	8,638	9,583	9,361	8,875	9,996
Paper & Paper Boards	Tons	14475	11459	11642	12,944	15,802	14,094	15,094	15,073	..
Sulphuric Acid ..	,,	16435	8007	9091	12,401	13,768	12.120	14,350	..	..
Caustic Soda ..	,,	3471	1422	1909	2,429	2905	2579	2,992	..	..
Soda Ash ..	,,	5100	3694	4739	4,024	5,948	5,907	6,955	..	..
Chlorine Liquid ..	,,	1529	520	678	815	929	701	713	..	..
Bleaching Powder ..	,,	650	66	162	244	215	165	225	..	..
Bichromates ..	,,	493	122	209	270	256	239	259	..	..
Superphosphates ..	,,	17573	3888	4025	8724	7378	5978	6,660	..	..
Ammonium Sulphate ..	,,	35571	18359	26,635	28,352	34,890	27,611	36,199	..	..
Paints and Varnishes ..	,,	5400	2831	2671	2,926	3,413	2,616	2,623	..	..
Matches (cases)† ..	Thousand	58.8	51.6	49.2	45.0	51.0	50.6	48.5	50.4	..
Sheet glass (sq.ft.) ..	,,	8440	753.6	1898.9	2759.4	4489.8	3694.7	3464.6	..	..
Cement ..	,, tons	370.3	294.8	315.0	366.5	376.8	363.7	380.3	364.8	375.3
Refractories ..	,,	27.5	20.3	19.0	19.4	19.3	19.9	19.9	..	..
Pig-Iron ..	,,	185.1	140.4	137.9	149.4	155.7	137.9	150.2	152.7	..
Steel Ingots and Metal for Castings ..	,,	128.5	131.5	125.6	140.4	157.4	138 3	149.1	144.6	653.2
Aluminium ..	Tons	584.0	297.2	313.2	407.2	486.2	461.4	627.5	599.3	..
Copper ..	,,	600.0	506.6	410.0	597.6	336.0	605.0	674.0	640.0	635.0
Lead ..	,,	500.0	94.3	141.2	149.0	225.0	162.0	211.3	200.0	170.7
Hurricane Lanterns ..	Thousand	381.9	293.6	359.4	415.6	383.7	343.8	351.6	..	..
Enamel-ware (pieces) ..	,,	2500.0	640.9	790.3	1193.6	1139.4	2365.7	1189.8	..	..
Diesel Engines ..	Nos.	1097	354	310	721	887	747	914	893	801
Sewing Machines § ..	,,	3458	4170	5202	6685	6,478	7,030	8,010	8,207	8,401
Machine tools (value) ..	'000 Rs.	..	369.8	367.3	417.9	479.7	544.6	432.8	..	..
Dry Cells ..	Lakh	184.6	108.5	123.7	123.9	103.2	130.8	127.4	..	..
Storage Batteries ..	Thousand	24.7	13.2	14.7	15.7	17.4	18.1	20.4	..	..
Electric Motors ..	,, H.P.	16.7	13.1	13.5	15.6	17.7	17.9	..	..	..
Power transformers ..	'000 K.V.A.	27.3	17.9	25.7	33.2	40.3	41.1	42.1	40.0	41.5
Electric lamps ..	Thousand	2433.3	1740.0	1647.3	1923.0	1933.0	1819.8	2025.1	2120.0	2124.8
Electric Fans ..	,,	25.3	16.3	16.6	19.7	22.3	22.4	26.7	..	..
Bicycles ..	Nos.	36,458	16,413	22,014	31,030	29,062	30,548	38,990	39,111	..

† 50 gross boxes of 60 sticks each.

§ Installed capacity calculated for a single shift working, while one of the two units has been working more than one shift.

COUNTRYWISE DISTRIBUTION OF INDIA'S SEA AND AIR-BORNE TRADE

(In lakhs of rupees)

	1951-52		1952-53		1953-54		1954-55	
	Imports	Exports	Imports	Export	Imports	Exports	Imports	Exports
COMMONWEALTH COUNTRIES								
EUROPE								
United kingdom ..	16228	18979	14099	12329	14498	15136	14688	18609
Gibralter ..	—	6	—	4	—	3	—	2
Malta and Goza ..	—	2	—	4	—	7	—	7
ASIA								
Cyprus ..	12	40	7	56	3	57	5	55
Aden ..	86	630	59	932	32	904	143	679
Bahrein Islands ..	1092	141	1851	182	1796	220	2021	217
Kuwait ..	11	380	7	463	9	424	3	340
Quatar and Trucial Oman ..	3	82	2	89	1	80	1	111
Pakistan, Western ..	1027	1614	54	1117	15	136	50	296
Pakistan Eastern ..	27	288	12	234	11	50	13	187
Maldives ..	2	1	2	1	2	1	1	1
Ceylon ..	560	1681	429	2007	509	1851	746	1719
Singapore ..	1787	1203	1260	1576	1635	805	1555	697
Federation of Malaya ..	423	383	225	320	419	337	582	369
Britsh Borneo ..	7	11	3	3	5	11	5	11
Hongkong ..	199	657	116	668	145	390	148	339
AFRICA								
Gold Coast								
Nigeria ..	—	180	1	141	—	99	—	91
Union of South Africa ..	—	709	—	643	37	856	108	827
Swaziland ..	2	1	—	2	1	1	—	1
Rhodesia Northen ..	25	12	19	—	8	—	11	—
Rhodesia Southern ..	22	45	82	50	19	98	50	62
Zanzibar & Pemba ..	33	278	39	140	34	196	58	213
Kenya ..	271	33	36	45	212	58	175	41
Uganda ..	1860	884	2057	657	1232	603	1839	681
Tanganyika ..	18	36	122	73	158	81	7	93
(Under British Trusteeship)	217	263	198	367	115	337	246	446
Nayasaland ..	—	—	—	99	—	127	—	71
Anglo Egyption Sudan ..	1340	773	399	614	748	512	305	703
Seychelles ..	43	4	28	11	65	9	64	1
AMERICA								
Canada ..	1934	1629	2958	1284	1414	1314	1013	1741
OCEANIA								
Australia ..	1764	4763	1238	1699	2583	1747	1955	2446
Newzealand ..	214	793	106	286	158	268	180	453
Fiji Island ..	—	40	—	62	—	65	—	84
OTHERS ..	31	321	101	450	80	431	162	577
TOTAL COMMONWEALTH COUNTRIES ..	29333	37019	25509	26507	26242	27116	26134	32070
FOREIGN COUNTRIES								
EUROPE								
U.S.S.R. ..	139	692	24	85	60	115	161	212
Finland ..	316	106	181	26	189	13	215	18
Sweden ..	749	255	568	183	620	156	603	156
Norway ..	358	160	279	88	292	41	267	56
Irish Republic ..	3	653	2	250	4	531	1	767
Poland ..	34	27	26	4	16	15	102	39
Denmark ..	222	125	151	101	163	112	211	130
Germany, Western ..	2856	936	2396	1245	3159	1169	3873	1464
Germany, Eastern ..	7	2	10	2	8	1	23	3
Netherland ..	1098	792	1095	1040	1142	686	1359	1287
Belgium ..	1028	839	690	668	943	460	932	634
France ..	1087	1138	1401	569	994	536	1395	521
Spain ..	47	21	51	51	48	5	58	21
Portugal ..	30	69	21	50	30	49	36	37
Switzerland ..	999	209	695	61	912	82	1016	96

COUNTRYWISE DISTRIBUTION OF INDIA'S SEA AND AIR-BORNE TRADE (Contd)

(In lakhs of rupees)

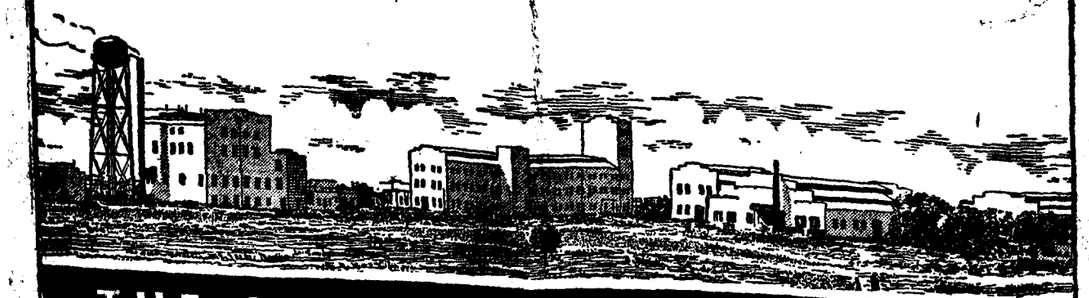
	1951-52		1952-53		1953-54		1954-55	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Italy ..	1798	709	1284	1089	2384	513	1942	624
Free territory of Trieste ..	—	—	—	14	8	4	—	—
Austria ..	247	106	196	42	251	511	213	28
Hungary ..	32	—	16	5	10	2	10	20
Czechoslovakia ..	282	129	135	118	114	314	125	163
Yugoslavia ..	14	26	9	11	7	2	16	2
Roumania ..	—	—	—	3	—	—	1	4
Greece ..	7	63	4	44	9	26	10	28
Turkey ..	13	356	1	495	—	258	1	150
ASIA								
Syria ..	5	68	1	76	—	102	4	213
Lebanon ..	15	22	2	29	7	18	13	52
Israel ..	—	24	3	18	—	5	—	—
Muscat & Oman ..	84	50	61	82	49	68	6	67
Saudi Arabia ..	1005	186	1477	308	1482	351	55	314
Yemen ..	2	—	1	2	—	3	1741	2
Iraq ..	361	320	205	210	257	245	183	274
Iran ..	2891	416	250	207	204	153	420	558
Afghanistan ..	109	315	76	338	60	273	82	206
Burma ..	2348	1975	2646	2235	1750	2104	5733	1605
Indonesia ..	321	451	102	531	151	683	81	555
Thailand ..	1164	876	772	439	45	363	75	232
French Indo-china ..	—	72	—	30	—	67	—	129
Philippines ..	73	184	36	177	25	112	18	98
Japan ..	2542	1482	1599	3198	1322	2399	1891	1583
Korea ..	—	—	—	48	—	55	—	112
Formosa ..	2	1	—	26	—	16	175	3
China ..	1589	703	1318	122	99	81	156	280
AFRIA								
Egypt ..	4053	647	1512	569	2770	251	1968	820
Tunis ..	—	—	—	35	—	28	—	30
Belgian Congo ..	17	62	205	38	115	21	235	27
Mozambique ..	342	92	595	94	448	68	429	75
French Someliland ..	—	84	—	5	5	4	—	4
Ethiopia ..	3	109	2	33	35	229	—	331
AMRICA								
U.S.A. ..	29377	13239	18307	11259	8005	9073	8161	8858
Cuba ..	—	1143	—	755	—	422	433	480
Netherland Antilles ..	39	—	228	3	303	4	86	2
Mexico ..	97	409	23	66	72	12	10	11
Venezuela ..	—	12	25	19	42	10	81	10
Brazil ..	7	129	5	156	2	—	2	12
Paraguay ..	1	49	—	33	—	9	—	6
Uruguay ..	41	222	—	141	1	125	—	152
Argentine Republic ..	80	1767	212	683	2	1957	7	1257
Chile ..	2	368	26	280	—	82	113	150
Peru ..	189	258	38	210	14	136	64	117
Ecuador ..	—	11	1	20	—	16	—	8
Bolivia ..	8	29	5	17	2	14	13	3
OCEANIA								
Hawaii ..	—	30	—	34	—	18	—	11
Other Islands in the Pacific ..	18	18	7	12	26	4	32	3
OTHERS ..	8	1306	6	665	12	451	95	59.5
TOTAL FOREIGN COUNTRIES ..	58161	34545	38982	29417	28671	25205	34926	25705
GRAND TOTAL ..	87494	71564	64491	53924	54912	52320	61060	57776

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VOL. XXV. NO. 7. NEW DELHI: AUGUST 12, 1955. ONE RUPEE

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Resources for the Plan

AFTER Confidence, Despair. It is strange how psychology in New Delhi responds to waves of optimism and pessimism generated by vacillating arithmetical totals of Indian financial resources computed now from week to week. Three months ago, there was great confidence that the voluntary rate of saving in India could reach 11 per cent of income by 1961, and that a sum of Rs. 5,600 crores for investment in the Plan was well within our resources. Today, optimism has steeply declined, and, perhaps, with good cause. In a Special Article in this issue, it is pointed out that the basis of optimism was the unreal assumption that 30 per cent of an increment of output would be saved. It is now seen, largely from official figures, that the marginal rate of saving is not likely to exceed 15 per cent so that the rate of saving might conceivably go up to 8.5 to 9 per cent only by 1961. The reaction of deep pessimism is as unwarranted as was the original optimism. It is necessary that some new and neutral thinking should be done on the volume of resources which can be mobilised for India's second Five-Year Plan. In particular, the question needs to be asked: How large is the gap?

In the second Special Article in this issue it is suggested that a sum of Rs. 4,800 crores might be found from voluntary savings for both the private and the public sectors; it is argued a further sum of about Rs. 1,500 crores (to be initially deficit financed) would raise no problem, seeing that the stream of goods and services which it might generate would support it, and, in any case, a rise of this order in the money supply of the Indian Union will be necessary in order to sustain the higher level of activity. If these figures are accepted, they give some indication of the order of shortage of financial resources for the period of the Plan. Against Rs. 6,300 crores which might be mobilised in the manner proposed in the private and public sectors, the Plan in its present form requires the whole of this sum for development purposes.

Since private capital expenditure will still have to be incurred—it may be on an increasing scale—it would appear that something like another Rs. 1,500 crores will be required to sustain, with a fairly neutral price level, all the activities which it has now sought to sponsor. In other words, there is likely to be a real shortage of Rs. 1,500 crores in the resources for a plan of the order of that indicated in the plan-frame.

It is unthinkable at this late hour that the whole of this shortfall can be cut back from investment in the Plan. State Governments, as well as people at large, have now captured the spacious outlook of the Finance Minister and Prof. Mahalanobis all too well; and the provision of ten million jobs is likely to be a task which even expenditure of the order of Rs. 6,000 crores in strictly monetary form is not likely to attain. In other words, the political objective of a spacious plan with spacious employment targets makes a wholesale retreat from planned investment figures impossible.

What then can be done? Certainly, a new choice of projects in the Plan can be made so that productive undertakings receive higher priority and the time element in investment is somewhat reduced. It would appear, if educational expenditure and expenditure on housing is somewhat drastically reduced, the income targets may be attained with expenditure of Rs. 5,000 crores to be monetarily financed instead of Rs. 5,600 crores. This would still leave a gap of something like Rs. 1,000 crores from which there is no escape.

Some authoritative sources in New Delhi have arrived at this figure of a gap of Rs. 1,000 crores on quite different general assumptions. It may, perhaps, be assumed that some large measure of agreement exists that the financial problem set for the second Five-Year Plan is of the order of Rs. 1,000 crores, about half of which may be in foreign exchange. If it were possible for a spacious aid programme sponsored by capital exporting countries to provide India with Rs. 1,000 crores in five years, it is conceivable—and this view is entertained in high quarters in New Delhi—that India's capital formation activities by 1961 will have developed to a point at which no further foreign assistance will be required, and at which there will be no payments gap to be met in the third and subsequent Five-Year Plans. This agreeable outlook can be accepted as a working hypothesis.

While foreign countries hesitate about the extent of the aid which they can extend to India in the next five years, uncertainty will grow in regard to the measures which the Finance Ministry might take to close the gap in resources. It has become fashionable now to talk about 'normal' and 'abnormal' methods of finance and to assume that savings can be rigged, implying that the rate of savings of a country depends substantially on the degree of control which Government can exercise on consumption. In India, at least, this has been proved to be a major error. Official figures of the rate of capital formation in India show that it was lower both in absolute and relative terms under a regime of control than it has been since 1952 with decontrol.

The reason for this appears to be simple. A country which is so near the dreaded poverty line and, indeed, in which the great majority of people are below it, cannot afford to form capital by official decree without excessive privation to those least able to bear it. The obvious and only efficient method of forming capital in India is to generate income by public expenditure and by greater activity in all sectors. All the evidence of the last few years shows that, in India, capital formation rises fairly steeply with income. It is conceivable that if the income targets could be raised beyond those in the plan-frame, the burden of finance would become 'pro tanto' less. But, in any case, the emphasis should be on the creation of income with the corollary that consumption should be developed; not on the restriction of consumption by methods like compulsory saving, which, under Indian conditions, will be incapable of raising the sum required, and which, for a much smaller sum, would entail a cost in human suffering out of all proportion to the money received.

Confusion on forced saving grows worse confounded. War parallels are being quoted without understanding. It is clear that the confusion between development under war conditions, where controls were necessary because consumption was diverted, not lopped off, is misleading from the point of view of financing of a development plan. In war, it is not necessary to provide for additional personal consumption, because the goods which acquire high priority are instruments of destruction. In peace, and particularly with a plan, the objective is the raising of the standard of living of the people. There are limits, very easily reached, to the extent to which personal consumption can be cut in a plan; for, personal consumption—or the standard of living—is the prime purpose of the plan. Why should the people be denied the fruit of their labours when it can be given them without imposing on them the foolish hardships of war?

The more the matter is considered the more clear it is that the confusion which prevails on 'abnormal' methods of finding resources rests on the erroneous belief propounded by the Taxation Enquiry Commission that consumption and investment cannot rise together. Every year in the last four in India has been a denial of this thesis, and the whole history of dynamic economies in every country in the world, including the USSR, shows how consumption and investment can march together. Indeed, the highest rates of capital formation have always tended to be correlated with the highest rates of consumption growth.

If this central point is appreciated, solutions to the resources problem would be looked for far more in terms of creating income than of destroying it. In Special Articles to follow in 'The Eastern Economist', the precise problems set by the shortage of resources will be discussed with indications as to the easiest means by which they can be dispelled by an income-raising process rather than by the callous depression of the standards of living of the Indian people.

The Press Registrar

THE Bill seeking to appoint a Press Registrar, which has been introduced in the Lok Sabha, has caused undue concern in certain quarters. Even a usually well-informed London "source" has observed that the measure imposes a "Governmental grip upon the press of India as a whole and is a step which can only be viewed with extreme concern". Actually, the Bill—called the Press and Registration of Books (Amendment) Bill, 1955—not only incorporates the familiar provisions of an earlier Bill—which had been introduced in 1952 and which has now been withdrawn—but also makes certain further innocuous provisions in order to give effect to the recommendations of the Press Commission to set up an organisation under a Press Registrar, "for the purpose of registration of all newspapers published in India and for the collection, maintenance and publication of information concerning them". While some of the amendments are intended to remove certain doubts which judicial decisions have created about the Press and Registration Act of 1867, certain others are capable of being misused and call for adequate pruning.

The whole administration of the Act, however, requires to be overhauled and the measure in question has come none too early. The Bill, among other things, provides that a declaration in respect of a newspaper shall cease to have effect if the newspaper does not commence publication within a specified period, or if it ceases publication for a year or more, or if it publishes issues the number of which is less than half of what should have been published in accordance with the declaration made. It cannot be denied that a certain degree of laxity has all along existed in the filing and registration of books, journals and newspapers. The Press Commission has pointed out that, in the course of its inquiries, it found it difficult to get the files of copies for scrutiny of the contents and even to verify whether a paper was currently being published or not. It also found that in many cases no newspaper or periodical had actually come out, although a declaration had been made under the Act. The Bill, therefore, follows the Press Commission's recommendation that it should be the business of the Press Registrar to have a complete register of all newspapers and periodicals, news agencies and advertising agencies, and that it should be made obligatory on them to register themselves under the Act. The Act of 1867 provided penalties for keeping a press without making a declaration and making any false statement about the press, while the present Bill makes it clear that the provisions are applicable to all papers printed.

It is not understood why any responsible person or concern in the newspaper industry should object to this provision or to the one authorising the Registrar to ascertain "the average number of copies printed, the average number of copies sold to the public, and the average number of copies distributed to the public". There should be no secrecy attached to these matters and even a journal having a small circulation should flourish only on its merits and on the quality of its service to the public, and it should no longer be possible for any paper to bamboozle the public about its circulation and the nature of its clientele.

Apprehension has been rightly felt in respect of Section 19-F of the Bill in respect of the Registrar's powers to get access to the records and documents of newspapers. This has been incorporated on the strength of the Commission's recommendation that the Registrar should have authority to call for any additional factual information. It should, however, be observed that this power is intended to be exercised "for the purpose of the collection of any information relating to a newspaper under this Act". Actually, the provision embodies in toto the analogous provision (Section 6) of the Collection of Statistics Act, 1953. When such a provision, however drastic, has already been allowed to be incorporated in an existing statute, there is less ground to feel unduly concerned about a similar provision in the present Bill. Nevertheless, the measure will need to be recast so as to prevent any nominee of the Registrar from misusing his powers to inspect or take copies of the relevant records or documents.

There is also a provision (Section 19-H) which authorises the Registrar to supply to any applicant copies of any extract from the register on payment of the prescribed fee. It should not be forgotten that the press is a highly competitive industry and the right to enter the premises of any newspaper office and inspect any records therein might be exploited by unscrupulous people to serve their own interests.

The point to be borne in mind is that the powers of the Registrar are confined to the sphere of registration of the press and control of the publisher, and that they do not constitute any encroachment on the freedom of the newspaper from the editorial standpoint. As a public institution, there is no threat involved. The Bill aims at putting down calculated irresponsibility on the business side of the newspaper industry, but no regulation or control of news and views is contemplated. This issue may, however, crop up when the proposed Press Council is constituted. In the meanwhile, there is need for vigilance. Liberties tend constantly to disappear under executive encroachment conveniently disguised under a protective section of the law, the spirit of which was very different from that originally intended. The Press need not start crying "wolf' too early, but that does not mean that it should not note with regret that it is being forced into a strait-jacket intended for units whose activities have needed less flexibility and freedom from control than an independent press in all democratic countries enjoys.

Guest Editorial

Integration in University Education

ONE of the basic defects of the present system of education, to which the University Commission gave considerable attention, is the excessive specialisation of studies. The Commission stated that "among the suggestions for improving higher education which we have received..... scarcely any has been more frequently or more vigorously presented than the need to escape from the extreme specialisation which now prevails."

The trend towards specialisation is not, of course, peculiar to India. Complaints about "the fatal disconnection of subjects", about the increasing "diversification and parcelling of learning into a myriad of specialities" can be heard in educational discussions everywhere. Intellectual specialisation has yielded a vast fund of precise knowledge about physical, social and psychological phenomena. As a result, modern societies

possess an unprecedented technical competence. But the old integration has been lost. The consciousness of the organic unity, the inner relationships of the various components of knowledge and experience has been lost. The vivid sense of the subservience of all knowledge to some fundamental values has been lost. Information has overshadowed wisdom; technics has overshadowed ethics. Fragmentation of knowledge has begotten fragmented visions of reality. Specialists acquire a profound knowledge of one aspect of life but no sensitiveness to its total rhythm, no integral vision, no value-orientation. So when they are entrusted with the task of reforming social reality, they often succeed only in deforming it. Instead of a richer harmony, they create a worse chaos.

The University Commission saw the risk as well as the remedy very clearly. "If intellectual fragmentation and anarchy are to be avoided," they wrote, "the student must acquire a frame of reference.....There must be an intellectual integration of his varied knowledge.....If society is not to disintegrate into an aggregate of individual specialists, we should endow the youth with a central core of values, transmit to them a cultural heritage."

In the West, the growing awareness of the need for a balanced, value-oriented education has produced the concept of General Education. Many universities, especially Chicago and Harvard, have changed their courses and teaching methods in conformity with it. The University Commission recommended the introduction of General Education courses in India both at the school and college levels.

Now this task may be approached in two alternative ways. Either some General Education papers may be introduced which the students will have to take in addition to the normal papers in the subjects selected by them; or the present syllabuses of all the subjects taught may themselves be drastically revised in the light of the principles of General Education and additional compulsory papers introduced to provide an analytical knowledge of the 'inter-relationships of the fields of knowledge' and a historical knowledge of Indian civilization.

There can be little doubt that the second is the right choice. The first can hardly be considered as a proper method of introducing General Education; the only reason for considering it here is that it has been so regarded by authorities in India, and its futility must be shown.

A well-balanced education does not merely mean that science students should be made to attend some arts lectures and vice versa. It means adopting a radically new way of selecting what is to be taught (and, of course, ceasing to teach a lot that is now taught); a radically new way of teaching whatever is taught; and making students aware of the organic interconnections of the various branches of knowledge, and of their cultural heritage.

The University Commission realised that "the introduction of the principle of General Education cannot be successful without material change in the contents of the courses offered." But in making their concrete suggestions, they seem to have slipped, perhaps unconsciously, to the narrower approach. Thus when they suggest that there should be "ten to twelve 3-month General Education courses of 20-25 hours" or "one course per term for the three years of undergraduate education"; that "of the General Education courses the student may select just those which cover the ground not effectively covered by his special subject and leave the rest"; that General Education courses should not require "more than a fair share of the students' time"—they clearly give the impression that the General Education courses are to be nothing more than some optional, supplementary lectures covering subjects not covered by the papers ordinarily selected by the students.

Educational authorities may find in these suggestions just the facile programme they need in order to pay their formal homage to General Education without having to undertake the troublesome overhauling of existing syllabuses and teaching methods which its true spirit would require. That this is more than probable can be seen from the circular which the Ministry of Education sent to the universities in February last year. In this the Ministry drew their attention to the recommendations of the University Commission regarding General Education and asked for "concrete schemes for the institution of the course with the proposed curriculum mentioning the stage at which the General Education course is to be introduced as a compulsory|optional subject."

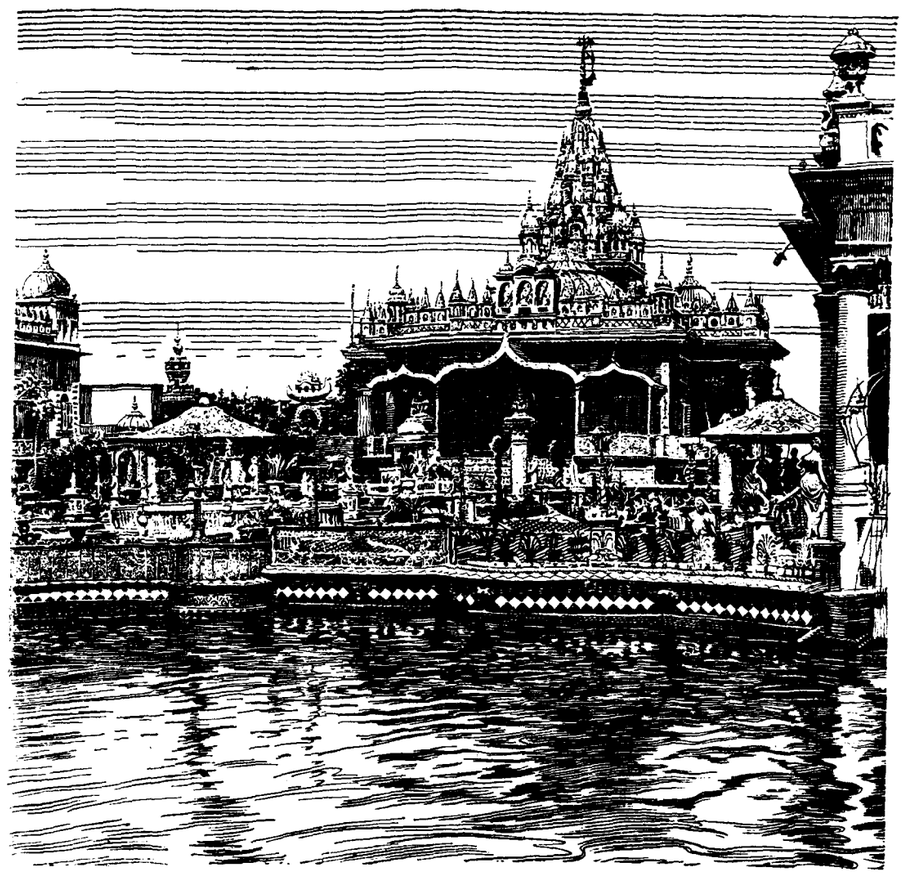
The last words are significant. The Ministry seems to think that General Education is just a 'subject' like geology or anthropology, to be added to the existing courses! But, to quote the Harvard Report on General Education "it is most unfortunate if we envisage General Education as something formless—that is to say, the taking of one course after another; and as something negative, namely, the study of what is not in a field of concentration..... (We) envisage General Education as an organic whole whose parts join in expounding a ruling idea and in serving a common aim." Again, according to a Chicago study, "great as the value of.....departmental disciplines may be,.....no mere piecing together of a number of them can constitute General Education." A General Education curriculum must consist of "an integrated system of courses covering the major areas of knowledge rather than a collection of departmental elective courses."

This is a far cry from the mechanism of course-making now in vogue in this country; and it will be a long time before course-makers can be persuaded to change their conceptions, and reformers to distinguish between 'integration' and 'aggregation.' Still, it would be interesting to know if any universities have taken any steps even in pursuance of the Ministry's circular, and the results achieved. As far as the Delhi University is concerned, the circular has been before its Faculty of Social Sciences for over a year, but no concrete decisions have been taken so far. Nothing has been done to initiate a serious study by the teachers of the theory and practice of General Education; or to develop the necessary literature; or to undertake the revision of syllabuses.

A reform of this kind cannot be imposed from above through official directives. The first requirement is a reorientation of the outlook and attitudes of the teachers.

Administrators can at best provide congenial material conditions; but the essence of educational progress is the remaking by teachers of their own and their students' minds.

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Federal Agency Securities	173,596,191.18
State, County, and Municipal Securities	590,106,961.58
Other Securities	109,285,913.01
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,252,410,322.99
Other Loans and Discounts	3,049,681,759.30
Accrued Interest and Accounts Receivable	50,756,654.10
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	80,437,247.09
Other Real Estate Owned	1,884,091.63
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	231,605,567.34
Other Resources	2,764,055.93
TOTAL RESOURCES	$ 9,240,087,971.63

LIABILITIES

Capital	$ 150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits	122,206,954.85	
Reserves	5,647,746.64	
TOTAL CAPITAL FUNDS		$ 477,854,701.49
Reserve for Possible Loan Losses		66,752,053.04
DEPOSITS Demand	$ 4,160,622,659.36	
DEPOSITS Savings and Time	4,229,974,345.42	8,390,597,004.78
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		233,983,923.42
Reserve for Interest Received in Advance		41,093,906.31
Reserve for Interest, Taxes, etc.		29,806,382.59
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Other Securities	8,729,183.00
Loans and Discounts	64,629,676.74
Accrued Interest	350,962.81
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	47,985,603.73
Other Resources	538,912.65
TOTAL RESOURCES	$ 196,680,350.55

LIABILITIES

Capital	$ 10,000,000.00
Surplus	4,000,000.00
Undivided Profits	417,306.02
TOTAL CAPITAL FUNDS	$ 14,417,306.02
Reserve for Possible Loan Losses	830,295.87
Deposits	131,662,017.07
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills and Notes	48,071,649.32
Reserve for Interest Received in Advance	139,199.84
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THE WEEK'S NOTES

THE LAW COMMISSION

NEARLY A year after the need for a Law Commission was accepted in principle, the Government of India has now announced its personnel and terms of reference. The latter are as they should be. The first task of the Commission will be an inquiry into the system of judicial administration which has long been overdue. The last occasion on which such an inquiry was undertaken was over 33 years ago when the Civil Justice Committee was appointed and much has happened since. Procedural laws have multiplied and the system of organisation of the subordinate judiciary leaves much scope for improvement. To these questions, the Government has added that of the organisation of the legal profession. It has been arranged that this part of the inquiry should be undertaken by the Chairman and three other members of the Law Commission sitting separately for the purpose.

The second aspect of the Commission's work is not less important. The other seven members of the Commission are to examine all the existing laws which come within the scope of the Union and Concurrent lists of legislative powers with a view to revising them in the light of India's Constitution and of judicial decisions. There is much weeding to be done and many laws can still be found which are repugnant to the letter and spirit of the Constitution and would deserve to be scrapped. Law Commission II can also consider suggestions for reform of minor acts and rules which ordinarily do not catch the eye of the zealous reformer.

While these objectives are commendable, the choice of the members and the manner of the constitution of the Commission are not what they should have been. Supreme Court judges—those in office as well as those who have retired but are still happily fit to help with their experience—have been excluded. This is probably an echo of the controversy over judges heard at the time of the amendment of Constitution and presumably Supreme Court judges have been deemed to have disqualified themselves for such positions by their refusal to conform to the wishes of the executive. Any Supreme Court judge chosen for the Commission may not have served as member with the Attorney General as Chairman and if the latter was deemed essential to ensure compliance with the wishes of the Government, the exclusion of the best experience and knowledge of judicial administration in a field where it is most needed became inevitable. In time, such steps will not fail to have the desired effect of destroying among lesser men the will to differ from an executive which does not hesitate to use its patronage to show where the non-conformists get off. Thus with every addition to the list of 'persona non-grata', there will be an increase in the 'personae grata', which will suit those in power, even though it should result in the exaltation of mediocrity.

SUCCESSION IN PAKISTAN

THE PROBLEM of succession in Pakistan has been solved in as orderly a manner as can be expected, without any surprises. It would allay the apprehensions of those who, having watched the assumption of wide powers by Mr. Ghulam Mohammed, were anxious that they should not fall into the hands of less responsible persons when the Governor-General's declining health forced the choice of a successor. Maj-Gen. Iskander Mirza is perhaps a much stronger man than Mr. Ghulam Mohammed and he lacks his predecessor's velvet glove as his regime in East Bengal revealed. But it is doubtful whether he would alienate any political group, if he can avoid it, though he may not have respect for the wayward ways of the Pakistani politicians. Except during the brief period of office of Khwaja Nazimuddin, the office of Governor-General has been the most powerful in Pakistan and the danger is that with every strong personality as Chief Executive, the office may tend to dominate politics of Pakistan making remoter the chances of restoration of a stable and working parliamentary system.

The fact that even so, the position of Prime Minister Mohammed Ali has become untenable shows that the politician does not acquire the administrator's relative immunity from odium. In recent months, the Premier's position has been unenviable, especially since the reconciliation with Mr. Fazlul Huq during the Constituent Assembly elections. Mr. H. S. Suhrawardy, who seemed vanquished at first by this alliance has regained his importance and was likely to become Prime Minister through an understanding with the new leader of the Muslim League, Finance Minister Chaudhari Mohammed Ali. That would be as stable an arrangement as any that Pakistan can find for the present while the Constituent Assembly goes to work on the Constitution. However, the latest position is that Chaudhari Mohammed Ali has been invited to form the Government. Difficulties may arise because of the clash of opinions on the one-unit plan (especially in the N.-W.F.P. where Khan Abdul Gaffar Khan is still strongly opposed) and from any conflict with the East Pakistan administration. On questions of Indo-Pak relations, these political changes will not make a serious difference. The postponement of high-level talks between the Prime Ministers of India and Pakistan will now ensure that the discussions are held with persons who can now better represent Pakistan.

CONFUSION ON COMMONWEALTH CITIZENSHIP?

THE DEPUTY HOME MINISTER, Mr. Datar's intervention in the debate on the Citizenship Bill did not help to clarify the implications of Commonwealth citizenship mentioned in the Bill among the supplemental provisions. Clause 11 provides that every citizen of a Commonwealth country shall, by virtue of that citizenship, have the "status" of a Commonwealth citizen. What that status implies is a question that rises to the lips of every reader, but in view of the increasingly perfunctory manner in which Notes on Clauses are drafted, there was no clue found in the Bill itself. In fact, the Home (or is it the Law?) Ministry adds insult to injury by saying that these clauses are "self-explanatory". Mr. Datar pointed out that mere Commonwealth "status" would confer certain facilities and concessions. But Clause 11 does not provide for reciprocity and the Commonwealth includes such countries as the Union of South Africa. It would be good to clarify the privileges that such recognition of Commonwealth status would confer.

It is only in Clause 12, which provides for the conferment of all or any of the rights of a citizen of India on any Commonwealth citizen, that the principle of reciprocity has been laid down. It is certainly not implied in the earlier clause, though Mr. Datar urged that the two clauses should be read together. It may be argued that Clause 11 has no place at all in the Citizenship Bill if it only means "facilities and concessions", which can be granted by a declaration to that effect by the executive.

COMPULSORY RETIREMENT AT WILL?

THE PUNJAB GOVERNMENT often comes into the news for doing wrong things and the latest decision to amend the Punjab Civil Service Rules is one such. The proposal to invest the State Government with unlimited powers in the matter of promotions and forced retirements has rightly given rise to resentment from all quarters. The amendments would deprive the authority of the Punjab Public Service

Commission to consider the cases of officers for promotion to Selection Grade posts. In regard to compulsory retirements, the new rules provide the Government with the power compulsorily to retire "immediately after ten years' service or any time after fifteen years' service" any employee who may be considered inefficient or suspected of corruption, even though "no specific instance is likely to be proved". It will not be necessary for the Government to hold an inquiry before retiring an officer under this rule.

That such powers are prone to be misused for personal or political ends cannot be over-emphasized. The fears entertained by the State Government employees that no civil servant with any element of independent views can be safe from political pressure are justified, particularly in a State steeped in petty intrigues and political factions. Inevitably, the result may be quite the reverse of what may have been intended. The fear of losing the job and honour without any reasons being given is bound to take away the confidence and initiative from responsible officers, leading to confusion and unnecessary delays in the implementation of Government's policies. It is amazing that a measure of such vital significance should have been adopted by one State, marking a radical departure from the Central and other State Government services rules. It is immoral and illegal to deprive a civil servant of office without giving the grounds for such action and without his being given opportunity to show cause against it. No State Government can be allowed to deviate from the accepted principles of fair treatment in these matters, even in regard to employees under its own rule-making powers.

E.P.U. AND THE EUROPEAN FUND

THE EXTENSION of the European Payments Union (E.P.U.) for another year—until June 30, 1956—approved last week-end by the Council of the Organization for European Economic Co-operation, will necessitate a number of changes in the operation of the Union. With effect from August 1, surpluses and deficits incurred by member countries will be settled, under a system of quotas, 75 per cent in gold and 25 per cent in loans granted, instead of 50 per cent in gold and 50 per cent in credit. The modification of the percentage scale entails an adjustment of the quotas (which are doubled), so that the credit facilities or the total credit obligations of each country remain unchanged. A new clause has been adopted which provides that from now on EPU can be terminated in the course of a financial year if member countries whose quotas represent at least 50 per cent of its total notify the organization of their intention to terminate the Union when their currency again becomes convertible and of their willingness to bring the European Monetary Agreement into operation.

The European Monetary Agreement provides for the institution of a European fund and the establishment of a multilateral system for settlements. The fund will have a capital of $600,000,000, of which $270,000,000 will be contributed by the member countries. The purpose of the fund will be to provide the contracting parties with credits to help them overcome temporary difficulties in their overall balance of payments position, should these seem likely to jeopardize the maintenance of their level of trade liberalization in Europe. The fund will also serve to facilitate the operation of the multilateral system for settlements. Credits will be granted by the fund in gold, after the position of the member countries applying for credit has been investigated, and will be subject to repayment after a maximum of two years.

The multilateral system for payments is based on the principle that each country taking part will have three basic obligations vis-a-vis the other participating countries. First, it will inform its partners of the margins—valid until further notice—above and below which it will not allow the value of its currency, in terms of a given standard, to fluctuate. Secondly, it will make its currency available, within certain limits fixed by the European Monetary Agreement, to any other participating country which so requests. Lastly, it will agree to settle in U.S. dollars, in the monthly settlements to be made through the European fund, its net debt, if any, vis-a-vis all the other participating countries, and to accept U.S. dollars in settlement of its claims.

POLITICS IN THE PUNJAB

AFTER SOME days of hectic activity for the Congress High Command, the dust of controversy has settled down in the Punjab. Although this was not entirely unexpected, the dissidents' persistent flouting of the High Command's advice reveals a hard core of differences within the Pradesh Congress. The differences came to the surface with the Chief Minister's handling of the Jagat Narain affair and of the Akali 'Morcha', and the dissatisfied elements in the Congress Party attempted to bring about Mr. Sachar's downfall by exploiting these issues. They have failed now; but there is nothing final about the politics of the Punjab if the past is any guide.

Dissension can flare up again on the slightest provocation. Such provocation, however, may come only from outside, and if the Akali Dal persists in its course of agitation, Mr. Sachar may not find it possible to follow his earlier policy. These have, however, proved to be occasions to test the Congress President's capacity for conciliation and organisation, and Mr. Dhebar has so far proved himself more than equal to these demands on his skill and patience.

"EMERGENCY" AT PORTS

UNREST AMONGST port workers has gradually assumed the form of a periodical scourge. Recently, there was trouble at the Bombay port when lorrymen went on strike causing partial dislocation in Cargo transport. A Calcutta, the position became still worse with the 'go-slow' tactics adopted by the port labour, and the Government was compelled to take the extreme step of declaring a state of emergency to arrest further deterioration in a situation where work was already slowed down by about 50 per cent. The declaration of the state of emergency was made possible by an earlier amendment to the Dock Workers Regulation of Employment) Act, which gives wide powers to the Chairman of the Port Trust to deal with any such situation. It is heartening to find that the trade unions in the port have accepted that the 'go-slow' method is not a proper or recognized weapon to press demands. They have further offered their support for any measures that the Government may take to dissuade the workers from resorting to such unorthodox methods which only result in waste of national wealth.

NOTICE

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A Window on the World

PROBLEMS OF DUAL NATIONALITY

By

ODYSSEUS

LET US CONSIDER further the implications of the fact that a man may have two nationalities, that he may be a Bengali and an Indian, a Scot and a Briton, a Maori and a New Zealander, and he may be a loyal member of both the smaller and the larger group.

The individual finds himself subject to a number of loyalties: his family, caste, profession, religion, clan or tribe, language group, nation, and his state. It is the function of the state to harmonise these loyalties, to create conditions in which they can flourish for the common good and to prevent situations in which a clash of loyalties may arise to the detriment of the whole. It is obvious that the larger the unit, whether of the family, tribe, nation, or state, the greater the possibilities of clashing loyalties. Clearly in a state of the size and character of Britain which has only three "nationalities", the English, Welsh, and Scots, within it, the possibilities of differences are less than in a state of the size and character of India, which has a dozen or more groups within it speaking a variety of languages and making a variety of claims to individual recognition in the light of their histories as Bengalis, Sikhs, Tamils, etc.

The problem of reconciling these loyalties within a sovereign Indian republic is by no means insoluble, but it is difficult, and its difficulty has been increased by the cloud of propaganda which obscures clear thinking on the subject. This is because for many years the British sought to justify the prolongation of their rule by stressing India's racial and linguistic divisions, arguing that such peoples had nothing in common, and would fall apart into their separate historical nations if the British left. There was a substantial element of truth in this British contention, but the argument was vitiated by leaving out all the qualifications necessary to make it tenable. In refutation of this British propaganda, Indian Nationalists went to the opposite extreme in asserting the existence of a solid and homogeneous "Indian nation" over the centuries, and pointing to Asoka's kingdom of Magadha as but one example of the achievement of an all-Indian unity that had existed before the arrival of the British. There was a substantial element of truth in this contention, but it also was vitiated by omission of the necessary qualifications.

The element of truth in the British contention was that whereas the various peoples within India may, in the distant past, for relatively short periods with considerable gaps between each, have been under the overlordship of one emperor powerful enough to enforce his claims to tribute from lesser princes throughout the greater part of the sub-continent, these peoples had never been united in an integrated all-India state which had institutional means of giving reality to Rousseau's conception of the "sovereignty of the people" and thus had little opportunity of developing an all-India consciousness. The element of truth in the Nationalist reply was that, granting the foregoing, there was nevertheless (1) a unity in the culture spread over the sub-continent which was capable of being strengthened to the point of balancing the divisions, and (2) the unity enforced by rulers of an alien civilisation had served (a) to develop the conception of "India" and (b) to awaken the desire that "India" should be governed by "Indians".

SWISS, JEWS, GERMANS AND POLES

I suggested last week that a "nation" is not necessarily to be identified with a language or a single territory, or a state, but that it consists of a group of people who, for whatever reasons, passionately want to be a nation. Thus no one could assert that the Swiss, who are made up of people who speak German, French and Italian, or that the Jews who speak almost as many languages as there are in Europe (not to mention Asia) and who until after World War II had no sovereign territory, or that the Germans, who today are divided between the states of Western and Eastern Germany, or that the Poles, who in the nineteenth century were divided between the states of Prussia, Austria, and Russia, are, or were, not nations. We may also note that wherever efforts have been made to suppress nationalist feelings, those efforts have as often as not intensified them, as in Hitler's persecution of the Jews or in the severe Russian attempts to suppress nineteenth century Polish nationalism.

India owes its independence to the activities of a small group of sensitive and highly educated men who, reacting to the liberal democratic and nationalist ideas introduced into higher education by alien rulers, and who, having assimilated much of British culture, found themselves impelled to revivify their own, passionately desired to assert themselves as a nation, to embody such aspects of British culture as appealed to them in their own institutions in their own way, and to recapture and re-assert the glories of the old cultural heritage in the "India" that British rule had unified. I need not list these patriots (such as Gokhale and Motilal Nehru in former generations) but would point out how infinitesimal in numbers they were compared with the population of the sub-continent as a whole. They claimed to speak in the name of the "Indian people" but in fact it was their passion and determination which called "India" into existence. It is true, and important, that Mahatma Gandhi's appeals to the masses spread the conception of "India" to millions outside the ranks of the middle classes who gave it birth, but I suggest that it is unlikely that it was as "real" to the rural masses as it was to their educated leaders. If the Indian Institute of Public Opinion were to take a sample poll throughout India, I think that it might find that the higher that it went in the income and educational scales, the greater was the consciousness of "India" and the more concrete its reality, and that the lower that it went, the less meaning would "India" have and the more real would be such conceptions as Rajput and Marwari, or Bengali and Santal, or Madrassi and Panikkan (particularly in Tinnevelly!).

The risk in this situation is that the small number of middle class leaders to whom the "Indian nation" is a passionate reality may ignore the strength of the reality of the claims of the Sikh or Bengali or other smaller "nations", and by resisting them, or by imposing all-Indian rules on them (such as Hindi in the South which obviously does not like it), may strengthen local loyalties at the expense of the all-Indian loyalty; It is not that I deny the importance of the all-Indian loyalty; on the contrary, I regard it as vital to India's survival; but I do suggest that there is too great a tendency to assume (a) that the all-India concept is a powerful reality among what are vaguely called "the people" but who are more concretely envisaged as

diverse rural masses of Punjabis or Mewars or Beharis and so on, and above all (b) to assume that uniformity is essential throughout the Republic. I think that it is important (a) to cultivate the all-India sentiment through all-India educational and political channels, but (b) this should not be done at the expense of regional cultures or the smaller Indian "nations".

National consciousness is developed by sharing common interests and purposes through organised institutions (like those which in pre-Independence days gave concrete expression to their interests and purpose through the Congress party organisation). Where an institution does not exist, national feelings develop with difficulty or remain dormant. Local self-government in municipalities and then wider self-government through general elections to national parliaments, together with the discussion of national problems in the press and radio, lead to the evolution of national sentiment. Thus, it is reasonably certain that the men who fought in the ranks of the English and French armies which met in the battle of Crecy in 1346 had no consciousness of allegiance to a national cause. The battle came about because Edward III of England was (a) also Duke of Aquitaine in France and (b) considered that he had better claim than Philip VI to the French throne. The Hundred Years War was a struggle between hereditary chieftains and nobles; and the followers of the English fought out of personal loyalty to their lords. To the French masses, the Hundred Years War was a catastrophic civil war fought between two rivals to the throne.

WANTED: MULTI-NATIONAL STATES

It is probable that the sense of nationality was more widespread in Elizabeth I's England than in Yorkist and Lancastrian England, and still more widespread after the Whig Revolution of 1688, but that it did not begin to attain its widest reality until after the Reform Act of 1832 had paved the way to the sovereignty of the people. (I am aware of the qualifications needed to support this argument, which ignores the vitally important role played by the British monarchy in developing British national consciousness, but I think that it is broadly true).

In India, the General Election of 1951 was the first great exercise of democracy on an all-India scale, and I do not doubt that in the course of the decades the spirit of all-Indian nationality will spread and grow in the channels of federal democracy.

I am as anxious, however, that India should not lose the valuable contributions that should come from the smaller nations within the all-India nationality or state. And here I incline against the view of John Stuart Mill (outlined here last week) which holds that free institutions are almost impossible in a state made up of different nationalities and that the boundaries of governments should therefore coincide with those of the nationalities, and I incline towards the view of Lord Acton who urged, on the contrary, that the combination of different nations in one state is as necessary to civilised life as the combination of men in society. I am thus led to argue in favour of the retention of multi-national states such as Hyderabad or Madras and against the creation of purely linguistic states.

There is every reason why the Sikh or Bengali nations should provide themselves with cultural institutions like the Eistedfodd, the great national festival of Wales, but if they make the boundaries of the states of the Union coincide with these small nations, I suggest that there is a danger that the identification of these small (cultural) nations with political institutions may develop conflicts in all-India political loyalties. I suggest that a state legislature, such as Hyderabad, in which two or more languages may be spoken and nations intermingle, is more democratic and more conducive to the development of an all-India loyalty than a one-nation state such as Orissa. With Acton, I urge that, providing that the state is truly democratic, its frontiers need not coincide with those of its constituent nations.

Some with long memories may score a point by recalling that I argued the contrary view here in 1953. Well, reflection has led me to modify my views. In a nutshell, I believe in the value of nationality as a cultural force, but in the conduct of political affairs the longer I live, the more inclined to multi-national and the less to uni-national democracy I am.



A DELHI DIARY

DUELS WITH PENS?

I SEE that numerous papers are now taking up an issue, which I started, on the extent to which the Indian Press has been unduly influenced by authority. In the last of three pieces on this subject in these columns, I drew attention to one particular piece of reporting from Geneva which seemed to me to be inconsequential enough for the inference to be drawn that there was some unconscious influence working behind the scenes. This was merely an illustration and by no means intended to occupy the centre of the main argument, which was that the Press has to examine its conscience on its independent character. Still less was it intended to direct attention primarily to a particular person. He—I might say specifically here—was not one of those I had in mind when referring to senior journalists who would like a diplomatic assignment.

It seems to me strange that when a large impersonal issue is raised, its impersonal character is immediately by-passed for personal reflections. Accusations on personal character tend to be bandied out, and pens —the appropriate weapons for duels of writers—are hastily drawn out to establish honour. This is a pity. The Age of Duels is over. I, for one, do not propose to indulge in a much overdone form of manly sport!

THE COMPANIES BILL

Meanwhile, decks are being cleared for action on another highly controversial question. This is the Indian Companies Bill which this week was considered with some little hush-hush in a meeting of the Congress Parliamentary Party. Some nimble persons, with their ears to the key-hole, tell me that no major changes via the Congress Parliamentary Party are likely to take place. It will be remembered, some time ago there were excursions and alarums that Parliamentarians wished to make the Bill even more drastic. It would appear that wiser counsels have since prevailed and members of the Congress Party now recognise that, in a highly technical question of this kind, the best they can do is to trust the Finance Minister who has not merely far greater knowledge of detail but also has (unhappy man!) the responsibility of obtaining resources for the second Plan. It is not going to be any easier for the Finance Minister to obtain resources if an obstinate brake is now put upon the active agents of India's business sector.

My key-hole reporter tells me that there is, however, not much satisfaction at the compromise that production needs should now run parallel the whole way with distribution desires. There is no doubt that in the rank and file of the Congress Party the importance of a larger cake is too often ignored while people concentrate on the division of what there is. This is reflected in the attitude to a patent error. The Finance Minister told the Lok Sabha on Wednesday that Section 197, a drastic section of the Companies Bill which deals with remuneration of Directors and Managing Agents, may come under the discretionary control of the Finance Ministry, meaning now that Companies will have to go to the Finance Ministry for an exemption against the operation of the vicious clauses of that section, or else run the gauntlet, hoping that losses will never be incurred. I, for one, would prefer to keep out of business with that section hanging over me like a Damocles' sword!

Perhaps my informant tends to read too much into the deliberations. For one thing they were incomplete and another, and presumably fiercer, party meeting is to be held on Thursday at an hour (alas!) when this Diary has, by editorial decree, to be both composed and printed. The daily newspapers did not see in Tuesday's meeting any surrender of the party to the executive. The compromise is not, it would seem, between production and distribution as operating factors in the economic scissors, but merely one on political authority to accept amendments of the Bill. The Finance Minister wished the Government to be given a free hand within the general framework of the Draft Bill. Apparently, this has only been granted subject to there being no departure from the Report of the Joint Select Committee on the Companies Bill. If this is taken literally, it would imply that the Finance Minister would have no discretion at all on the floor of the House. The Prime Minister's intervention was necessary to make it clear that it was impossible to be so rigid and there must be some latitude for the Government to frame amendments whilst keeping the party's view in mind. It will be interesting to see how party feeling develops. It shows how dangerous it is to put a radical measure in haste before the party; all too soon the General's retreat is cut off by his own side.

GOOD NEIGHBOURLINESS

There has been friendly comment in Delhi of events in Pakistan. There is general regret that the health of the Governor-General, Mr. Ghulam Mohammed, has taken a turn which looks as though it involves his permanent retirement. The courage and determination with which, while seriously ailing, he held to office and gathered together all the strings of power must command respect even amongst those who do not appreciate the semi-totalitarian manner in which the retiring Governor-General chose to move his political wonders to perform. It may be taken for granted that while he has been replaced by a new "strong" man, there will not now be in Pakistan decisive single personal rule. For one thing, the Constituent Assembly has come back with a voice of its own. For another, particularly now that Chaudhari Mohammed Ali has become Prime Minister, there is likely to be a determined personality opposite, if not in opposition to the Governor-General.

DUOPOLY IN POLITICS?

What happens when we have a clash of two personalities instead of the rule of one? I draw an analogy from economic theory which, for all I know, may be very far off the mark. Profound economics students tell me that in the theory of monopoly or the theory of a single producing unit, it is always easy to establish equilibrium by maximising the advantage of that unit. In the case of duopoly—or the case of two producing units—the problem is very far from simple. It seems that a process of price-cutting goes on until one or other party is ruined. It may even be, under special circumstances, that both are irretrievably hurt and there are no victors, like the cheerful situation which obtains after a global nuclear war. Can I tactfully point to the dangers of excessive duopoly in politics, with no countries named?

ARGUS.

Economic Report from the U. S.

ATOMS-FOR-PEACE CONFERENCE

(By Guy Sims Fitch)

WASHINGTON, Aug. 9.—The United Nations Atoms-for-Peace Conference in Geneva has now come to grips with one of its most important subjects: industrial power and atomic energy. The debate is becoming progressively more technical, but in the background is always the question of new energy for factories and homes from city-sized central power stations driven by atomic energy. The reason is that civilian atomic energy—as the conference has already revealed—appears on the economic scene at exactly the moment when the world needs ever more industrial power and is faced with an early depletion of its conventional sources.

Some countries, for example, expect to reach the limit of goal and hydro-electric exploitation within 10 to 15 years. Among these are water-rich Italy and Switzerland—a stark reminder of the magnitude of the world's prospective power deficit.

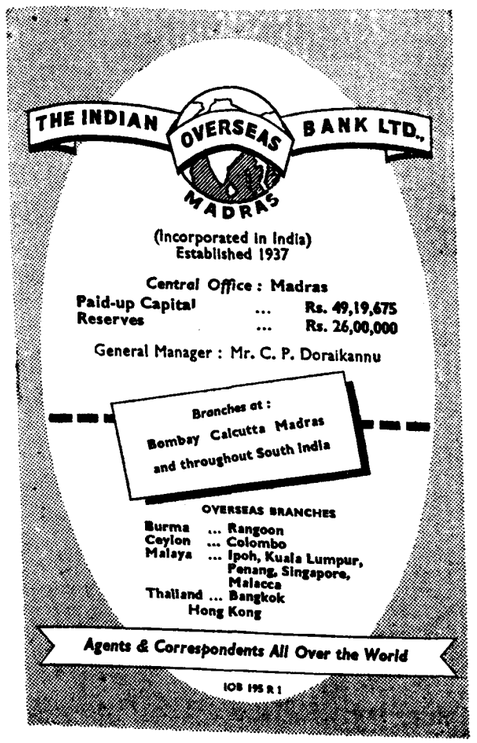
The reports presented at Geneva show wide variations from country to country and even within individual nations—depending on natural resources and the state of economic development. But electric power consumption, on a worldwide average is doubling every 10 years—and the only sources in sight to provide such quantities of energy is the atom. Its attraction is not only potential abundance or the ease of transporting atomic fuel to regions now outside the main belt of industrialization. The attraction lies far more in a set of two facts: (1) cost of conventional thermal energy (with water providing but a fraction of total world power) is constantly rising; (2) by contrast, atomic energy is bound to become cheaper once large-sized central stations filled by uranium or thorium rather than coal or oil are technologically improved.

The great question of nuclear energy thus is how to reduce its cost. The answer has just barely begun to appear in the record of the Geneva Conference. It is the view of most of the experts there that the two curves—rising costs for conventional energy and shrinking costs for atomic energy—ideally interesect at a rate of about six-tenths of an American cent per KWh on a worldwide average. That is the generating cost (to the plant) rather than the end price (to the consumer).

Estimates on the present actual production costs of atomic energy vary. Firm calculations are expected to be possible only when full-scale plants have run for a while and have yielded actual operating experience. At the moment, however, many countries believe that atomic energy is coming close to the point where the cost curves intersect and atomic energy begins to be economically attractive. At the same time, others estimate generating costs at several times the six-tenths-of-a-cent rate. A more uniform estimate will perhaps be available when the experts have discussed the many variables that enter into the calculation. For it is the peculiar characteristic of atomic energy that it is almost fantastically variable. The fact is that a whole series of different type atomic furnaces, so-called reactors, each variable in itself, can provide propulsion for electric generators.

The United States, for example, has two different small-scale power stations in operation, one large-scale 60,000-KW plant under construction in shipping port, Pennsylvania, and five different types of experimental reactors—all for the sole purpose of determining the most economical one among them. In addition, some seven commercial stations are planned by private U.S. firms for the same purpose. The Soviets have one small-scale experimental reactor. It has been operating for about a year on about the same atomic principle on which the shipping port plant will operate, the so-called pressurized water principle. For a large 100,000-KW station reportedly under construction in the USSR, the reactor is to be changed in some important respects, although the pressurized water principle will be retained.

The United States now is apparently putting emphasis on pressurized water reactors (the shipping port type) and on the more advanced "boiling water" reactor. The latter type is about the simplest designed so far, with water serving as coolant for heat transfer and simultaneously as radiation block, with a resulting saving of a lot of steam pipes, valves and other such accessories. The Soviet pressurized reactor admittedly leaves something to be desired in the way of fuel efficiency, but experience gathered with the experimental power reactor will be applied to large stations. No indications on construction costs, a very important item, have yet come from the Soviet spokesmen. Americans expect to lower present construction costs, from two times the cost of modern coal-fired stations today, to one and one-half times that cost.



WORLDGRAM

AGRICULTURE

Agricutlural Credit Bank for Pakistan: Credit facilities will shortly become available for agriculturists with the establishment of the Agricultural Credit Bank in Pakistan. The way has been paved for the setting up of the Bank by an ordinance which gives special powers to the State Bank of Pakistan to give advance and loans to institutions specifically established for agricultural and industrial development on such terms as the Central Board may decide.

*

Paddy Cultivation in East Bengal: In the Daulatpur-Phultala Development Area in East Bengal the Japanese method of paddy cultivation is being introduced. Plots have been selected and prepared for transplantation of 'Aman' paddy according to the Japanese method which is expected to increase the yield by two or three tunes. The intensive work of the V-AID Programme has made the villagers community-development minded. On their own accord they have collected themselves into groups and cleared the villages of the encroaching jungles. Tanks full of water-hyacinth, which is a much dreaded growth in East Bengal have been cleared by the villagers voluntarily. They are now used for bathing and washing purposes.

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Warehouses for Agriculturists: It has been announced that legislation to set up an all-India Warehousing Corporation and State Warehousing Companies would be brought during the current session of Parliament. All the preliminary arrangements for the setting up of the Corporation, a Warehousing board and a high-levelboard for national co-operative development were being made. Possible sites for the warehouses, without which grain banks could not be established, were being selected, design for which and the list of commodities to be stocked were being finalised. A pattern of the development of Co-operation, marketing and warehousing had also been laid down and this would be included in the second Five-Year Plan of State Governments.

*

Land Reforms: Two important land reform Bills—the Ajmer Bhoodan Yagna Bill 1955 and the Madhya Bharat Abolition of Jagirs (First Amendment) Bill, 1955 have received the President's assent. The object of the first Bill is to remove certain legal difficulties in respect of the donations of land made and to be made to the Bhoodan Yagna movement of Acharya Vinoba Bhave and its ditstribution to landless persons in Ajmer State. The second Bill amends the Madhya Bharat Abolition of Jagirs Act, 1951 and makes it possible for the Government to charge rent from all existing tenants and sub-tenants at the village rate assessed in the current settlement.

INDUSTRY

Electricity Output in April: During April 1955, 690 public utility power stations in India generated 688.6 million Kwh (kilowatt hours) of electricity of which 563.9 million kwh were sold to ultimate consumers. The new additions during the month were one diesel generating undertaking in Borgarh in Orissa and three purchasing undertakings at Rajangapur town in Orissa and at Nawsari and Rahalgaon in Madhya Pradesh. As compared to March, the electricity output descreased by 7.5 million kwh. The corresponding figures of output and sale for April 1954 are 604.9 million kwh and 504.4 million kwh.

*

Protection to Grinding Wheels Industry: The Government of India's Resolution on the Tariff Commission's Report on the continuance of protection to the grinding wheels industry has been published.The following are the main recommendations of the Commission:

1. The following types and sizes of grinding wheels should be excluded from the scheme of protection:
   (i) Grinding wheels having (a) more than 24 inches diameter or (b) less than 1/32 inch or more than 9 inches in thickness.
   (ii) Diamond impregnated wheels.
2. The protective duty on grinding wheels and segments of all kinds other than those to be excluded from the scheme of protection should be reduced from 50 per cent ad valorem exclusive of surcharge to 25 per cent ad valorem including surcharge. The protective duty should remain in force till December 31, 1957.
3. The varieties of grinding wheels excluded from the scheme of protection should be subject to a revenue duty of 25 per cent ad valorem including surcharge.

*

Pedestal Type Electric Fans: The Indian Standards Institution has prepared and circulated for comments, a draft Indian standard specification for pedestal type electric fans. This is the third in the series of Indian standards on different types of fans. The first two already published deal with ceiling and table type fans. The draft standard is an attempt to rationalize the sizes and types of pedestal fans and to lay down their minimum performance requirements. The draft recognizes only two sizes namely 16" and 24" and covers oscillating and non-oscillating types, as also fixed and adjustable height type? Besides laying down performance requirements, the draft standard covers design and general construction for satisfactory operation under tropical conditions, speed regulation, silent and trouble free operation, service value, permissible temperature rise, maximum permissible speed and such other requirements.

*

Draft Standard for Sodium Nitrite Technical: The Indian Standard Institution has issued a draft Indian standard specification for sodium nitrite, technical, mainly used in the dyestuffs industry. The draft standard prescribes the requirements and methods of tests for the characteristic of moisture and volatile matter, sodium nitrite content, matter insoluble in water, acidity and alkalinity, heavy metals and iron.

*

Cotton Yarn Production in Japan: The Ministry of International Trade and Industry has decided to slash cotton yarn production from the present 12 per cent to 16 per cent during the month of August for the purpose of stabilising the cotton yarn demand-supply situation. Production of cotton yarn in August will be held down to 163,800 bales as against 170,000 bales set for the previous three months. Prices of cotton cloth are still below production cost and cotton yarn stocks have failed to drop to the anticipated level as yet. MITI estimated that stocks at the end of June ran to an abnormally high amount of 496,000 bales.

*

Industrial Output in Yugoslavia: The volume of Yugoslav industrial production was notably higher in the first six months of 1955 than in the corresponding period last year. Yugoslav industry yielded 23 per cent more products in the first half of this year than in the January-June period 1954. The strong and steady upward bias in some of the basic industries primarily the electric power industry, petroleum industry, ferrous metallurgy, electric engineering and chemical engineering is a significant and characteristic

feature of industrial production in the first half of this year.

TRADE

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

Merchandise:

Exports	Rs. 89 lakhs
Exports to Eastern Pakistan	„ 47 „
Exports to Western Pakistan	„ 42 „
Export to other countries	Negligible

Merchandise:

Imports	„ 193 „
Imports from Eastern Pakistan	„ 185 „
Imports from Western Pakistan	„ 6 „
Imports from other countries	„ 2 „
Total Trade:	„ 282 „
Re-exports	Nil
Trade in Treasure	Nil
Balance of Trade	The total value of exports fell short of imports by Rs. 104 lakhs.

*

U.K. Oil Exports: The United Kingdom's exports of refined petroleum products during the first six months of the present year amounted to approximately 3,500,000 tons valued at £39,686,560. This compares with a figure of £40,747,949 for the previous half-year, and in view of the very considerable increase in home consumption over the same period the level of exports has been very well maintained. One interesting point in connection with the latest figure is that for the first time motor spirit has become the most important single product exports being valued at £9,793,775. It is thus slightly ahead of fuel oil, (£9,671,809) which has previously been the most important item in terms of total value. One major product to show a considerable increase as compared with the last half of 1954 was gas oil valued at £6,103,077, as against £5,574,227.

*

Franco-Indian Trade: Trade with India during the first two months of the year showed a credit balance in favour of France amounting to 1,967,035,000 Francs, while last years credit balance for the same period was only 276,841,000 Francs. The main progress registered in France's imports from India was in the case of textile raw materials (169,456,000 Francs) minerals, scoria, ashes and tobacco (143,062,000 Francs), hides and skins (118,743,000 Francs) and oil-seeds (89,686,000 Francs). France's main exports to India consisted of sugar and confectionary (1,425,376,000 Francs), steel alloys (180,828,000 Francs) inorganic chemical products (307,538,000 Francs), Yarn 120,997,000 Francs), iron and steel (162,344,000 Francs), tubes and pipes (180,328,000 Francs) and rolling stock material 97,901,000 Francs).

*

Trade Agreement between Sweden and Portugal: Swedish—Portuguese trade negotiations have recently resulted in the signing of an addendum to the current trade agreement in stockholm. The lists of goods now valid have been adjusted so as to confirm to the increased liberalisation carried through during the past year. For certain goods new and larger quantities have been fixed. New Swedish export quotas have thus been fixed for paints, varnishes, lacquers, skins and leather, machine felting, bicycles, tyres etc.

FINANCE

Grants and Loans to Small-Scale Industries: The Government of India have sanctioned further grants and loans totalling Rs. 32,99,713 to two-States—Punjab and Andhra for the development of small-scale industries. Punjab gets a loan of Rs. 28,50,000 which is to be disbursed as loans to small-scale industries in the State under the State Aid to Industries Act or other regulations in force for the purpose. Andhra has been given grants amounting to Rs. 3,71,073 and loans of Rs. 78,640, for the development of several small-scale industries in the State.

*

Loan for Irrigation Schemes: The Government of India have granted a sum of nearly Rs. 24 lakhs to promote the Grow-More-Food Programme of Jammu and Kashmir State, for 1955-56. Minor irrigation schemes have been granted a loan of over Rs. 22 lakhs. Among the main irrigation schemes for which loans have been granted are: The Roshipora Canal (Rs. 4 lakhs), the Mabind Canal (Rs. 2 lakhs), the Rakhi Littar Canal (Rs. 1.4 lakhs), two lift irrigation schemes (Rs. 7.6 lakhs) Ahij Nallah (Rs. 3 lakhs) and the Lolab Storage Tank (Rs. 1.2 lakhs). For the purchase of plant protection machinery a loan of Rs. 1,19,000 and a grant of Rs. 10,000 have been made.

*

More Aid to Khadi and Village Industries: The Government of India have sanctioned further grants and loans for the development of Khadi and village industries and handicrafts. Three institutions the Bihar Khadi Samiti at Muzafarpur, the Gandhi Ashram at Meerut and the Bombay State Village Industries Board have been sanctioned loans of Rs. 20 lakhs, Rs. 15 lakhs and Rs. 6 lakhs respectively for the development of the khadi industry. For the development of the village oil industry, Bhopal has been given a grant of Rs. 9,675 and a loan of Rs. 6,500. On the recommendation of the All-India Handicrafts Board, a loan of Rs. 16,125 has been sanctioned to Hyderabad for providing the share capital and the working capital for the development of the Paithan industry in the State.

MISCELLANEOUS

Data About First General Election: Eight and a half crores of voters casted their votes in the first general elections held in India in 1951. The total number of candidates of all political parties who contested the elections was 17,500 and the number of seats 3,862. The average number of candidates per seat would thus work out to 5. To facilitate the exercise of voting rights of so large a number of citizens, the authorities provided 25,84,945 ballot boxes. The total cost of the elections amounted to about Rs. 10.4 crores, of which the ballot boxes cost Rs. 1.22 crores. The average cost of the elections, however, was not high being annas 9.6 per voter for both Parliamentary and State elections. The cost per voter per election was still lower the figure working to about annas 4.8 only.

*

Reactors in World—20 More being Built: A survey of world development of atomic energy disclosed that 42 nuclear reactors are known to exist in the world—and 20 more are now being built. Forty-eight other reactors are being planned for construction. The survey was conducted by the Atomic Industrial Forum, a non-profit group of Americans from all fields working to encourage the peaceful development of the atom. The report, which took a year to complete and covers 32 nations, said reactors now exist in the following countries: 29 in the United States, five in Britain, two in France, two in Canada, and one each in the Soviet Union, Norway and Sweden. Of the 20 reactors under construction, nine are in the United States, three in Britain, three in Europe and one each in Australia, Belgium; Canada, India and the Soviet Union. Great Britain plans construction of 22 reactors and the U.S. plans 16.

NEWS IN BRIEF

INDIAN

In accordance with their policy of keeping export duties under constant review, the Government of India have decided to exempt with effect from August 2, 1955 all types of jute manufactures from the exporty duty leviable thereon.

*

The per-capita consumption of sugar, gur and khandsari for the 1954-55 season (November-October) is estimated at 27.58 lbs.

*

The first consignment of broad gauge locomotives being given by Canada to India under the Colombo Plan has been received in India and will shortly be put into service on the Indian Railways.

*

The total amount deposited in the Steel Equalisation Fund up to March 31, 1955 was Rs. 46,14,815. The total receipts into the Fund during the four years, 1951-52 to 1954-55 were Rs. 28,71,18,509 and expenditure from it Rs. 21,23,15,564.

*

The Planning Commission has approved three schemes costing Rs. 14.46 lakhs for the expansion of power facilities in rural and small towns in Rajasthan to increase employment opportunities.

*

The plant quarantine stations at the four-air-ports, Delhi, Bombay, Calcutta and Madras, which are proposed to be set-up under the second Five-Year Plan, are estimated to cost more than Rs. 2 lakhs.

*

The Government of India is examining an offer made by the French firm of Kerbs to instal a fourth oil refinery at Bhavnagar in Saurashtra, according to a report in the London "Financial Times". The capacity of the proposed refinery which is to cost about Rs. 12 crores will be 1 to 1½ million tons.

*

The Government of India have agreed to sanction a loan of Rs. 1 crore to the Bombay Government to be utilised for subscribing to the share capital of ten-co-operative sugar factories. A loan of Rs. 40 lakhs has similarly been provided to the Punjab Government.

*

The Government of India is considering the question whether they should participate in any negotiations for a reduction in customs duties that may be held in the near future under the aegis of the General Agreement on Tariffs and Trade.

*

An Indian concern is planning to start a factory in South India for the manufacture of rough synthetic stores. An agreement had been reached with a foreign firm for the purpose and sanction had been given for capital issue.

*

The total quantity of fertilizers imported so for under the Indo-U.S. Technical Co-operation Agreement was 2,39,400 tons as on June 30, 1955. A part of the amount was in transit.

*

The amount of aid received in the shape of materials and equipment by India during 1954-55 under the Colombo Plan was Rs. 2.76 crores. During the same period assistance by India to Nepal under the Colombo Plan amounted to Rs. 2,44,16,840.

FOREIGN

The U.S. has paid its annual U.N. dues for 1955. The figure totals more than $13 million. It represents one-third of the total U.N. budget and costs each person in the U.S. about eight cents.

*

In May, 1955 in America, personal income-wages, salaries and other types of individual income—had reached an annual rate $301,000 million, compared with $293,500 million in the first quarter (ending March 31) of this year, and a quarterly peak of $288,000 million in 1953.

*

Afghanistan has become the 57th member of the International Monetary Fund and the International Bank for Reconstruction and Development.

*

It is reported two atomic power stations would supply electricity to the London, Birmingham and Bristol areas by 1960.

*

Over 120 exhibitors, including leading manufacturers of radio and television receivers will take part in Britain's National Radio show to be held at Earls Court, London from August 24 to September 3, 1955.

*

The Khairpur State Government has launched a scheme to prevent diseases in sheep. A laboratory has been established with United Nations' help for this purpose.

*

Italy is now the world's fifth largest cement producer. Its output in 1954 amounted to 8.9 million tons. Italian consumption is expected to exceed 11 million tons per annum by 1957.

*

The fifth session of the Textiles Committee of the I.L.O. will be held at Geneva from September 26 to October 8, 1955.

*

A new dry dock, to complement the existing smaller naval dock at Karachi, has been commissioned by the Pakistan Development Corporation. The dock, which will take vessels upto about 12,000 tons, is the first to be designed within Pakistan.

*

Three countries—Thailand, the Soviet Union and Yugoslavia—have so far offered scholarships for overseas study to students from non-self-governing territories, in response to a request by the United Nations General Assembly.

*

A reciprocal deliveries and payments agreement for 1955 has been signed by representatives of the People's Republic of Bulgaria and the Hungarian People's Republic. By the terms of the agreement Hungary will supply Bulgaria with harvestor-combines, oil products and chemicals in exchange for chemical products, artificial fertilizers, tobacco, etc.

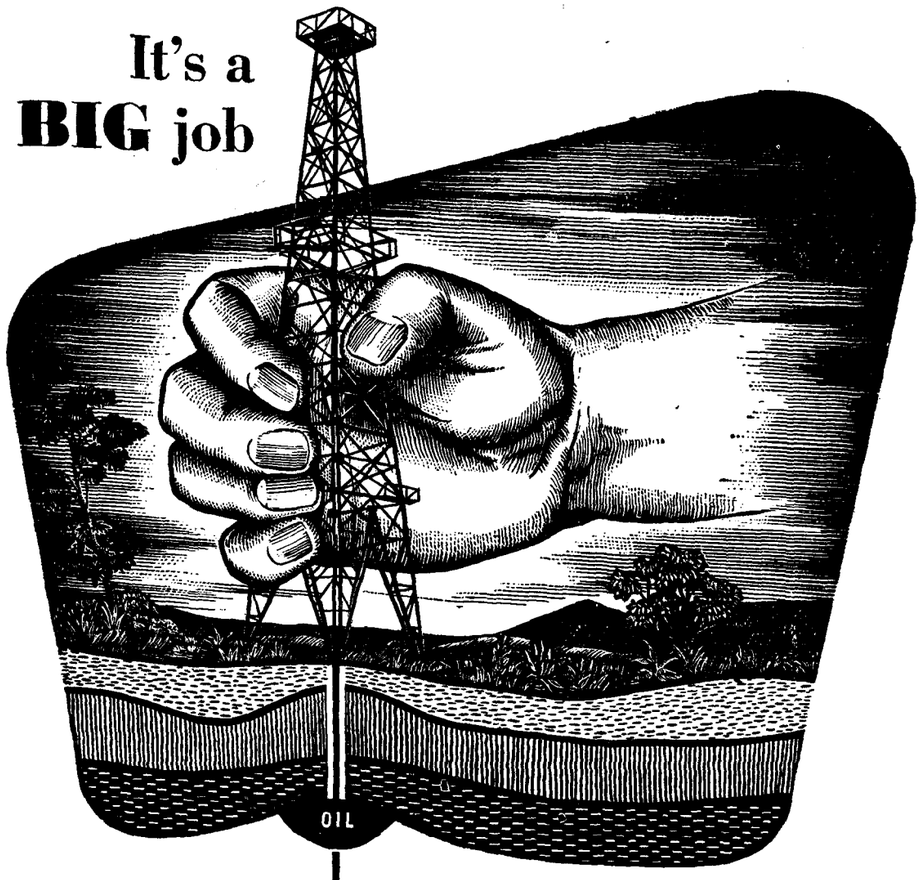
*

During the first half of this year, production of crude oil in the Middle East totalled about 79 million metric tons—the highest figure ever recorded. It was nearly 10 per cent up on output in the previous six months.

*

The Government of Turkey has signed a contract with Krupp of Germany, for the construction of a 600,000 ton steel plant. The estimated cost of £T150 million will be financed by German long-term credits and Turkish banks.

It's a BIG job looking for oil



Have you ever considered what a long, elaborate and costly business it is looking for oil ? Although oil lies thousands of feet underground, the oil prospector may have to take to the air—to photograph the lie of the land and make aeromagnetic surveys. Or he may create artificial earthquakes, in what is called a seismic survey. Then the findings have to be interpreted, in geophysical laboratories, before a test well is bored perhaps to a depth of as much as three miles.

The Assam Oil Company, for many years the pioneer of oil search in India, discovered a fresh source of oil recently at Nahorkatiya in Upper Assam. Crores of rupees have been spent in the search and many more will have to be spent on the development of this discovery.

And all the time, remember, the search for more oil is going on—for further sources of this most elusive mineral are vital for India's industrial development. All the very latest scientific methods and technical equipment, including aeromagnetometers and even helicopters, are being employed. No effort in fact is being spared to reduce India's dependence on oil purchases from abroad.

ASSAM OIL COMPANY
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A member of the Burmah Group of Oil Companies

PROSPECTING · DRILLING · PRODUCING · REFINING

Special Articles

PLANNING AND DEMOCRATIC FREEDOM

(A PLEA FOR ORGANISED RESEARCH IN PROBLEMS OF FREEDOM)

(Contributed)

THE economic development of an underdeveloped economy generally requires enterprise under different auspices than that of the private entrepreneur. The exact locus and distribution of the required entrepreneurial function would vary with the relative state of the underdeveloped economy vis-a-vis the developed economy which it seeks to imitate. The difficulties connected with the problems of saving, investment and the creation of market-demand inevitably result in the necessity of what is generally known as "Planning".

It is equally accepted that planning, particularly under State auspices, leads to a tendency towards curtailment of democratic liberties. The term "democratic liberties" is consciously meant to be contrasted with and distinguished from the so-called "real liberties" of the so-called real "people's governments". They cluster around such things as freedom of speech, freedom of press, internal autonomy of various learning-and-culture centres, opposition parties, independent judiciary, habeas corpus, free elections, different employment authorities, etc., etc.

Such a tendency can hardly be of any serious concern to those persons, parties or countries that have little value for the democratic liberties. Still less can it matter for those who are ideologically committed to a different set of values or who are convinced that this set of values was merely a natural resultant of certain historical conditions and would pass away with their passage.

The problem, however, can be fairly serious for those who cherish the democratic values and feel the necessity of some sort of developmental planning at the same time. Our country, undoubtedly, is in this challenging, though difficult, situation and the success or failure of the experiment may have significant repercussions in the countries of Asian and African continents.

The Prime Minister in his recent address to the Yugoslav Parliament reiterated his faith in democracy and individual liberty, and Prof. Mahalonobis has already submitted the draft-frame of the second Five-Year Plan and planning on that basis is proceeding. We, thus, stand committed both to democratic freedom on the one hand and to planning on the other.

Our democratic freedom is supposed to be guaranteed by the Constitution and safeguarded by the ever-watchful eye of the judiciary. India can, in truth, be proud of the fact that it has not liquidated a single person for political or economic reasons since the achievement of political independence or the launching of its first Five-Year Plan as against the millions that have met that fate in Soviet Russia, Communist China or the Cominform countries. No cultural confessions have yet been made and there is a fair amount of freedom of speech and organisation, though, perhaps, there seems to be a tendency for greater governmental blessing to the Indo-Chinese and Indo-Russian friendship Associations than for the Indo-British or the Indo-American ones.

It is, however, well-known to any student of politics, sociology or law that democratic freedoms are not guaranteed by constitutions or safeguarded by judiciaries, parliaments or newspaper-editors but by a living tradition nurtured by centuries of practice and thought which makes the legislator, the executive official and the general public feel almost intuitively when a wrong step is taken. India is an infant-democracy and, thus there lies a very heavy responsibility on its political, intellectual and cultural leaders to see that a healthy tradition is laid and that no tendencies are encouraged which may interfere with its sturdy growth. The role of the ruling party in power is crucial in this respect, though no little responsibility lies on the leaders of the opposition and the elite of the intellectual and the press-world also. Unfortunately, in an underdeveloped country the democratic entrepreneur has also to be the State.

The Planning Commission, the Panel of Economists, the Statistical frame-drafters, the Cabinet, the Parliament and the hundred-and-one groups are only interested in the targets of production and employment, the raising of investment funds, the division between private and public sectors, between capital and consumer goods, between large-scale and cottage industries, etc., etc. These are matters of immediate interest, discussion and dispute—for, the problems with which they concern are pressing and hard. The freedom-effects of these measures are hardly anybody's interest or business. In fact, it is presumed by everybody that freedom is already assured and that only economic ends need being achieved. The concrete necessities of the moment overwhelm human consciousness and it is natural that men be concerned with what strikes their immediate eye.

But planning means to see below the surface, look into the future and provide for possible dangers. And democratic freedoms are not something to be achieved for once and all but to be preserved and enlarged by a continuous vigilance that wanders not nor lessens a bit. It is imperative, therefore, that the preservation and enlargement of the area of democratic liberties be a part of the framework of the Plan itself. At least, there should be a conscious awareness of the areas where specific measures of planning curtail the existing democratic liberties and an open discussion whether alternative methods cannot be found that shall achieve the same ends. If the liberties are to be sacrified to economic exigencies, it should be done with full consciousness and public participation rather than covertly and in an unconscious drifting manner. Equally, it may be necassary to give up some types of ostensive economic ends for the sake of democratic liberties. The two values are equally important for us and in case of any specific conflict between the two, there is required a delicate balancing that shall decide as to which of the two is to be sacrified and in what measure.

This can only be possible if there is detailed, unimpeachable information as to where and how our democratic liberties are being strengthened or endangered by the various measures that the Union and the State Governments undertake. Men of undoubted integrity, high quality and committed to democratic values can, with the help of a research staff, easily perform this function. People all over the country can voluntarily write to them and, with proper weightage,

sifting and verification they can incorporate the information in their quarterly or half-yearly reports. They can give the country the danger-signal when measures have gone too far in a certain direction and provide to the government, which itself is committed to democratic values, data that will help it to come to a decision on broad matters of general policy.

It is, therefore, suggested that the Planning Commission or the Government should provide finances for the setting up of an Institute whose chief task would be to study the freedom-effects of the various measures or policies that the government undertakes and to provide information as to how, where and when the democratic liberties,which this country, its government and its people so much cherish, are endangered. Its reports should in every case be made public so that it may arouse the widest possible discussions in this country. The Institute should be completely independent and an autonomous body. The persons to be appointed should enjoy the conditions of pay and security of service equivalent to those enjoyed by the High Court Judges in this country.

The conditions, as everybody knows, are a matter of detail and can be worked out by experts more competent than ourselves. What is required, however, is the intense realisation on the part of our people and government of the imperative need of the function that this Institute is supposed to fulfil.

It will be an unfortunate and even suspicious circumstance if the government does not accept the need or the necessity of such an Institute. In case this happens, it is the duty of public-spirited persons who have any love for democracy to create such an institution themselves. Perhaps the easiest way, if we fail to find even such persons, would be to suggest it as a subject for Ph.D research in History, Politics and Sociology in different Universities. This would involve least cost, but we do not think it would be necessary to resort to it as an alternative to other measures but rather as a supplement to them. It will be a bad day for India's democracy when it remains the only alternative and then, perhaps, even it would be ineffective.

The Prime Minister has recently emphasised with reference to Goa that the area of Peace should be preserved and enlarged and that in the world of today Peace is indivisible. It should, however, be equally remembered that the area of democratic liberties needs as constant a vigilance for its preservation and enlargement as the area of Peace and that like Peace and Prosperity it too is indivisible in the world today. It may not be politic, according to the Prime Minister's policy of dynamic neutrality, to talk about the great danger that the deprivation of democratic liberties in the friendly totalitarian countries holds to the area of Freedom and Liberty all over the world. But it will certainly be suicidal if the same indifference is shown to the preservation and enlargement of the area of democratic liberties within our own country, for we are convinced that the values of democracy and individual liberties are as strongly held by the Prime Minister as by anybody else in this country.

We suggest, therefore, the creation of an institution which will serve, in terms of modern communication theory, as a negative feed-back in the political life of our country.

FINANCING THE SECOND PLAN

SERIOUS concern has been expressed in Delhi in the last month about the shortage of financial resources for India's second Five-Year Plan. In the draft plan-frame it was assumed that the rate of capital formation would rise to about 11 per cent in 1961 and as a result resources of the order of Rs. 5,600 crores would be made available for development expenditure. The precise formula by which this has been worked has not been previously described, and it is, therefore, useful to set out the details of this calculation. These are given in Table I below.

TABLE I.

Year	National Income Rs. Crores	Increments of Income I	Capital Formation	Increments of Saving I'	I'/I ×100
1955-56	10,800	..	641(5.9%)	..	..
1956-57	11.300	500	791(7%)	150	30
1957-58	11,825	525	946(8%)	155	30
1958-59	12,375	550	1,114(9%)	168	30
1959-60	13,000	625	1,300(10%)	186	30
1960-61	13,700	700	1,507(11%)	207	30
			5,658		

It will be seen that the calculation is based on the assumption that about 30 per cent of an increment of income is saved.

It is now clear that the rate of marginal voluntary saving in India is not nearly of this order. In a Special Article on "India's Marginal Rate of Capital Formation" published in 'The Eastern Economist' of August 5 it was shown that the marginal rate in terms of official figures does not exceed 15 per cent. If this figure is applied to the income figures of the draft plan-frame, the rate of capital formation might be assumed to move about from 6.6 per cent and 8.4 per cent, giving total capital formation at Rs. 4,813 crores against Rs. 5,658 crores in the previous case. In other words, the effect of applying the current rate of marginal saving is to reduce total saving by something like Rs. 800 crores.

TABLE II

Year	National Income (Rs. Crores)	I	Capital Formation	I'	I'/I ×100
1955-56	10,800		716(6.6%)		
1956-57	11,300	500	791(7.0%)	75	15
1957-58	11,825	525	870(7.4%)	79	15
1958-59	12,375	550	953(7.7%)	83	15
1959-60	13,000	625	1,047(8.1%)	94	15
1960-61	13,700	700	1,152(8.4%)	105	15
			4,813		

It would be foolish to deny that Rs. 800 crores, although it constitutes a fraction of the total expenditure, is a decisive quantity so far as the financing of the Plan is concerned. There is no doubt that with political hopes raised by the draft plan-frame and the very significant state of political pressures which now bear upon the Finance Minister a total development programme of less than Rs. 6,000 crores will be almost impossible to apply. The question therefore arises as to whether an expenditure of Rs. 1,200 crores over the rate of voluntary saving in the country constitutes inflationary pressure which will spell severe disorder.

The assumption that expenditure in excess of current saving is inflationary arises from the belief that the stream of resources for consumption remains constant while monetary pressure increases. To the extent that the stream of consumable resources increases it sets in operation a deflationary movement. An assessment of the total price situation cannot be obtained without reckoning in the force with which this deflationary movement will operate in the period of the Plan. Unhappily no studies have been made about the deflationary character of the investment process in the second Five-Year Plan.

There is, however, a strong belief that the Indian economic system can take an element of deficit financing rather larger than the Rs. 1,000 crores. A reason can be found for suggesting that this figure errs on the low side. India's money supply in relation to her annual net product is very low at about something like 20 per cent. Table III below shows the net national product and the money supply of various advanced countries in the world. It is generally assumed that a figure of money supply equal to 50 per cent of net product is neutral to prices in an advanced country. Prof. Colin Clark, Director, Agricultural Economics Research Institute, Oxford University, who was in New Delhi last week gave it as his opinion that over a period of about 30 to 50 years India's money supply could be raised to a similar figure without net inflationary consequences. If we assume that India's real national income is doubled in 20 years and is equivalent to Rs. 22,000 crores at the end of that time, this might conceivably justify money supply rising from about Rs.2,000 crores at the present time to Rs. 9,000 crores in 1975. The average rate of rise would then be less than 15 per cent per year. Applying similar figures over the next five years a figure of Rs. 1,500 crores might be suggested as the appropriate figure for deficit financing between 1956 and 1961. If deficit financing of Rs. 1,500 crores (outside true saving) is employed, it will be seen that the necessary finance for a development programme of Rs. 6,000 crores would be available. This figure would still require pruning in the plan-frame and for a drastic limitation on non-productive current maintenance so as to release funds for development. But it may be it provides a way out. This is a profitable line for investigation and deserves careful scrutiny, seeing that the country is in no mood for a reduced investment programme or for drastic compulsory saving.

TABLE III

Country	Year	Currency Unit	National Income	Total Money supply	Percentage of money supply to national income
1	2	3	4	5	6
Australia (a)	1953-54	million £A.	3,714	1,538	41.4
Canada	1954	million dollars	18,735	5,456	29.1
France	1953	1000 mill. francs	10,470	4,630	44.2
West Germany	1953	1000 mill. d. marks	103.7	23.44	22.6
India (b)	1953-54	1000 mill. rupees	106.0	18.43	17.4
Japan (b)	1953-54	1000 mill. yen	5,964.9	1,438	24.1
U.K.	1954	million £	15,543	5,720	36.8
U.S.A.	1954	1000 mill. dollars	300.0	134.3	44.8

(a) Year beginning from July.
(b) Year beginning from April.

"The Eastern Economist"

BLUE SUPPLEMENTS

THIS is a new monthly feature of last issue in each month dealing comprehensively with a highly topical economic subject. The first of these supplements dealing with Indian Company Law appeared with the issue dated 29th July, 1955. The one that will appear this month will deal with "The Indian Coal Industry."

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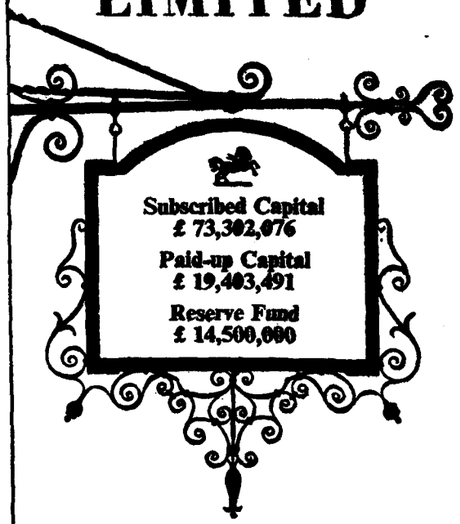
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The Business World

LOGIC OF LABOUR LEGISLATION

BY

CROESUS

IT is heartening to find that our Labour Ministers have at last begun to appreciate that the pace of labour legislation in recent years has been rather swift and also that the objective underlying labour legislation is not merely to give increasing benefits to labour but also to maintain production and all-round national prosperity. These sound views were expressed by Mr. Shantilal Shah, Minister for Labour and Health, Government of Bombay, last week, when the Committee of the Indian Merchants' Chamber and the Industries Sub-Committee of the same body met him to discuss certain matters connected with labour.

The spokesmen of the Chamber pointed out, and correctly, that, since the attainment of Independence, no other section of the community has received so much attention at the hands of the Government as industrial labour. They, of course, made it clear that they were not against the idea of social progress envisaged by the swift legislative measures to raise the workers' living standards. They only wanted to urge the imperative need for a greater degree of graduality, so that the rate of progress in one centre, apart from being correlated to the position and financial capacity of the industries concerned, could be adjusted to the rate of progress of wage earners in other centres. At the same time, they wanted it to be understood that employers have already done, and continue to do, a good deal for the welfare of labour and incidentally complained that this fact had not been fully appreciated either by the Government or by the workers. According to them, a proper appreciation of the stand of employers would lead to greater readiness on the part of labour as well as of Government to understand the handicaps that now prevent the industry from increasing its efficiency and output, and they rightly added that labour should march forward towards a happier and better life only by increasing its efficiency and output. Accordingly, the IMC spokesmen appealed to the Government, if the larger objectives of improving production, increasing output, reducing costs, and securing better efficiency were to be served, not merely to be guided by ideological considerations but to regulate the pace of legislation in terms of the actual conditions obtaining and to suit the requirements of the situation. They also pointed out in this connection certain aspects to be borne in mind in determining the pace and extent of industrial legislation by reason of the fact that such would go directly to add to the cost of manufacture. In the first place, according to them, the capacity of the industry concerned to bear the financial costs of these measures should be considered, and, in judging the capacity of the efficiency, they insisted, such must have reference to the capacity of the general mass of the population, in that they it is who ultimately have to bear the increase in the costs involved. They also wanted the problem to be viewed from the point of view of the effect on the structure of costs in industry in general.

It was in connection with this reference to the pace of labour legislation in recent years that Mr. Shantilal Shah replied that he too admitted it (the pace of labour legislation) to be rather swift. But, while he assured the employers that suitable remedial measures would be taken if any legitimate grievances were brought to his notice, he seemed more to justify the pace of legislation, swift though he admitted it to be. Thus he pointed out that such was necessitated by the fact that "we are in a dynamic society and Government has to take proper measures to suit the changing circumstances". "In the sort of society that we are trying to evolve", he added, "equitable distribution of wealth and removal of inequality assumes greater importance and it is necessary to give increasing reliefs to labour". This conviction doubtless explains his approach to the question of compulsion on newly started industries to provide housing for labour. The IMC spokesmen had made a specific mention to the compulsory provision to provide houses for labour even before a factory is started. They said that one of the reasons why new units were not being set up was this compulsion. They went even so far as to suggest that the labour policy of the Government had greatly contributed to the fall in employment in the country. It was their contention that numerous laws were passed conferring benefits on labour, which, in their turn, had imposed unduly heavy financial burdens on the employers, without any compensatory return from labour by way of increased production or otherwise and that some of the provisions contained in these laws tended actually to discourage new investments. In fact, they said: "the safeguards to labour are becoming so onerous that the employers are not willing to engage new hands and risk additional liability even in cases where there is scope for profitable expansion of industries and resulting employment". But Bombay's Labour Minister expressed the view that the compulsion about housing was essential in the context of the acute housing shortage problem in the State. He failed to appreciate why an employer who could invest huge capital on plant and machinery should consider it as a great burden to make an additional investment on housing for his own labour. The simple explanation, of course, is that, in a country where capital is so scarce and shy, any call, however desirable, to add to the meagre capital forthcoming would be unthinkable. Besides, if such outlay is not spread over a series of years after the industry is established when it could more easily meet the cost out of profits, it would amount to inflating the capital costs and making them topheavy. There is also the question of the return on the industry. While it is true that providing houses would make for a relatively more contented labour force, one has also to consider the rival claim of the shareholder, who contributes the sinews of the industry by way of capital, for a speedy and handsome return.

Latterly, as complaints about hardships arising from lay-off and strikes have been growing in volume, there would appear to be a greater awareness on the part of Government to these difficulties. As early as last May, when he inaugurated the 14th session of the Indian Labour conference, it may be remembered, Mr. Morarji Desai, Bombay's Chief Minister, referred to these provisions and observed that they weighed too heavily on the smaller establishments which had to close down for reasons beyond their control and stressed the need for a fuller consideration of this aspect of the matter. The IMC Chairman pointed out that it was only in exceptional cases and circumstances beyond one's control, such as shortage of raw materials, want of necessary finance, lack of continued business due to loss, and competition from imports, etc., that one would decide to retrench one's staff or workmen. At such a time, as he rightly pointed out, one would need help and assistance to carry on the business and not any additional financial burden in the form of retrenchment compensation to workers which would only make one throw up one's hands in despair and compel one to close down one's business. He also made the further pertinent point that there must be some distinction between established undertakings and new undertakings in regard to this matter. Just as new units are exempted from payment of income-tax, he argued it was necessary to ensure that new units were not burdened with the payment of retrenchment compensation for a good number of years. It would appear that Mr. Shah also shared the view that some of the provisions did weigh rather heavily, especially on smaller units. But it is not known what he said he was going to do in order to provide the relief required.

The necessity for uniformity in labour welfare measures throughout the country was another point that the IMC spokesmen raised in the course of these discussions. Under the law of the country as it stands, as every one knows, most labour matters are enumerated in the concurrent list which makes it possible for any State, Part A or Part B, to enact laws in respect of these matters. As a result, there has been a diversity of labour policy in different parts of the country and this, it was contended by the Chamber, was not conducive to good relationship between employers and labour. Unilaterial control on the part of different states thus without any regard to the conditions obtaining in other states would also result in a disparity in working conditions to labour which would cause unrest and discontent among workmen in the states where these happen to be less favourable. Again, the action taken, in particular by certain state governments under the powers vested in them in regard to central legislation such as the Minimum Wages Act, would affect the cost of production for the industry concerned as, for instance, in the salt industry in Bombay State. The recent application of the Minimum Wages Act to this industry in this State has had the undesirable effect of stepping up production costs in Bombay State, with the result that the consumer here is obliged to pay a higher price for his salt than his counterpart in other states. In order to get over this, it is only natural for the consumer in one state to prefer the cheaper products of another state. Hence the plea that it is essential that efforts should be made for bringing out uniformity in state legislations and also in the matter of implementing the provisions of certain central enactments.

To all these pleadings, Mr. Shah had only this to say, namely that uniformity in labour legislation was not possible in a vast country like India with diversity in local conditions, customs and manners. It is for this reason, he explained, that matters pertaining to labour have been included in the concurrent list. However, on the question of fixing minimum wages and disparity in different states in this regard, he disclosed that the Government of Bombay had already made representations to the Central Government indicating the desirability of, and the need for, effecting co-ordination in the matter of fixation of minimum wages.

With regard to a few other points, such as the question of obtaining the consent of workmen for doing overtime work and difficulties experienced by the application of the Payment of Wages Act to establishments covered by the Bombay Shop and Establishments Act in the matter of deducting insurance premia from the salaries of their employees, Bombay's Labour Minister gave reassuring replies. Only on one point, namely, the plea of the employers for the removal of the prohibition of appearance of lawyers before labour courts and industrial tribunals did he not only not agree with the employers, but actually made a counter-suggestion. Mr. Shah stated emphatically that such a prohibition would not solve the grievance of employers and pointed out that commercial bodies and employers could help their members better by setting up a bureau for giving them advice on questions of labour legislation. Perhaps he is not unaware that even now, such bureaus do exist as, for example, the Labour Advisory Bureau of the Bombay Chamber of Commerce. But the fact that, notwithstanding this, the employers' spokesmen raised the question seems to suggest that these bureaus, helpful as they have no doubt been, are not an effective substitute for the service that specialised lawyers could give in representing the grievances of employers before labour courts and industrial tribunals.

GETTING OFF TO A GOOD START

By

CROESUS

IN the same week in which Mr. G. D. Birla was deprecating the disputation about the functions of the private sector and the public sector, Sir A. Ramaswamy Mudaliar, Chairman of the Industrial Credit and Investment Corporation of India, Ltd. (I.C.I.C.I.) was also telling another audience in Bombay—the statutory meeting of the Corporation—that it was unfortunate to hold, as some did, that the Government of the day was not in favour of encouraging development of industries in the private sector. "The most tangible proof of the intentions of the Government to see that the private sector develops pari passu and perhaps in a complementary way with the public sector", he declared, "is in the co-operation that they have extended in a very substantial manner to the establishment of the Corporation". It may be remembered that the Government of India, in accordance with the understanding with the promoters of the Corporation, has placed Rs. 7½ crores at the disposal of the Corporation free of interest. This, by the way, is Rs. 2½ crores more than the paid-up capital itself of the Corporation. The I.C.I.C.I. can count on other resources too, besides these Rs. 12½ crores. As the Chairman of the Corporation pointed out, the International Bank for Reconstruction and Development (the World Bank, for short) has agreed to make available to the I.C.I.C.I. $10 million in any currency that the Corporation may require to meet the cost of imported machinery in connection with the projects which it undertakes to finance.

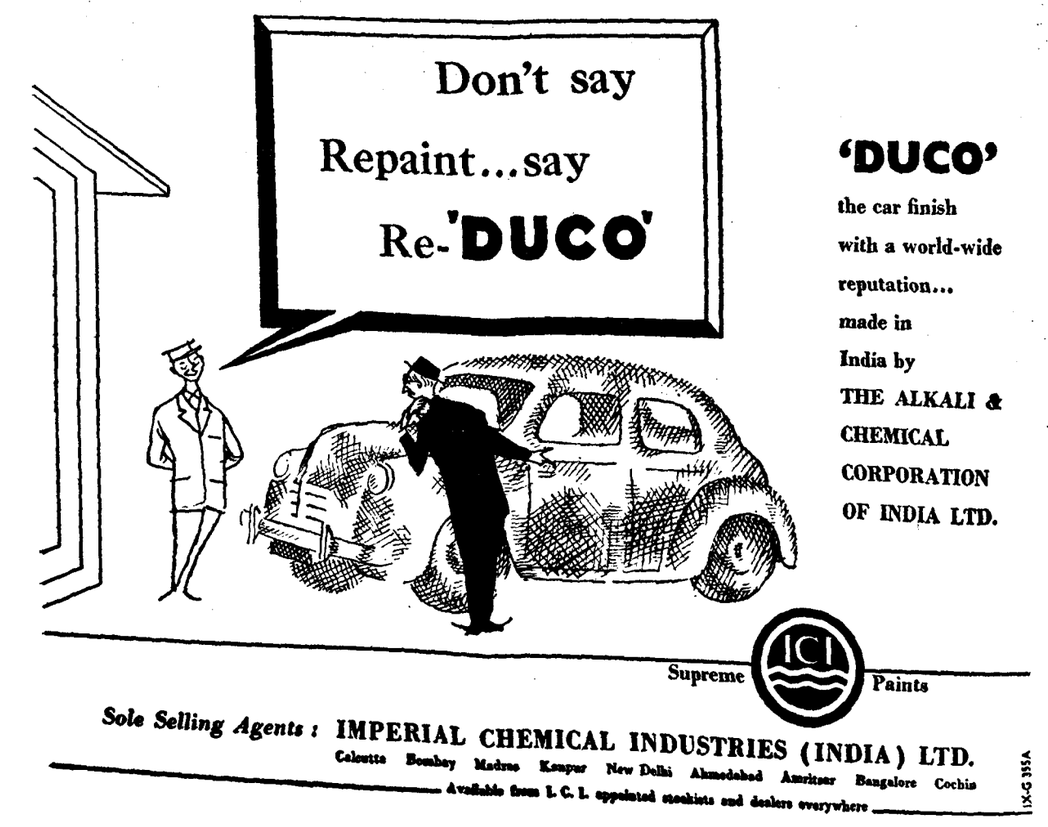
Although the Corporation commenced business on March 1, 1955, it is only during the past three months that it could actually call for and deal with applications for help. Accordingly even the progress that it has been able to make, namely to "offer to provide substantial financial aid for two propositions—one of a new industrial venture and another the expansion of an existing industry"—must be regarded as gratifying. In addition, it is stated, there are more than 20 "promising propositions" on hand. We will know more about these when the first annual report is published. Meanwhile, Sir Ramaswamy Mudaliar has reiterated the functions of the ICICI. He said that it "is solely concerned with the promotion, expansion and modernisation of industries in the private sector. Such assistance as it can give, either in the form of finance or

technical know-how or managerial help, is confined to industries in the private sector and is not intended to be extended either to those industries which are in the public sector or under any public management."

The following further extract from the ICICI Chairman's speech dealing with the same aspect bears reproduction, as it would be needed for reference later on in judging the work of the Corporation:

"The Corporation, however, has no preconceived ideas on the subject of financial assistance and is ready to consider on their merits whatever proposals may be put before it whether they involve a loan, a subscritpion to Preference or Ordinary Shares, on the Underwriting of market issues of capital. In the applications before us, all these forms of assistance have come up for consideration. A pre-requisite for the operation of the Corporation in regard to any application or project is that it must be conceived on sound commercial lines. The Corporation is not interested in mere money lending—its ultimate objective is promotion and development of industries in the private sector and while the adequacy of the security offered and the competence of the personnel in charge of the industries concerned are two of the principal considerations, they are not by any means the sole criteria. One of the objects of the Corporation is to furnish managerial, technical and administrative advice and to assist in obtaining managerial, technical and administrative services to Indian industry. Here is where the fundamental difference lies between the scope and activities of your Corporation and the scope and activities of purely Financing Corporations which lend money on adequate securties. A more positive constructive and responsible duty is cast on this Corporation by its Memorandum and Articles of Association, and rightly so, to assist applications to qualify themselves for the proper management and conduct of industries in which they are interested. There is a reason why the Corporation undertakes this special task. If the private sector is to survive, it must be broadbased and not concentrated in the hands of a few industrialists of undoubted eminence and ability. The more enterpreneurs are drawn to the management of industries, the sounder will be the basis on which the private sector can stand and justify itself".

It is noteworthy that Sir Ramaswamy Mudaliar also laid stress on the problem of unemployment. "The unemployment of the educated classes', he averred, "is one of the gravest problems that is facing the Government and the country and has been a spur to the plan which the Government and the public have of promoting industrial development". In view of this, particular importance attaches to his plea for a synthesis between the schemes in the public sector and the private sector. Such is needed because of the scarcity of our resources, on the one hand, and the consequent likely danger of the Government appropriating to itself the greater portion of these resources to the neglect of the private sector, on the other. If this should happen, he did well to warn in unequivocal terms, "there is a great danger that development in the private sector will languish and will almost become impossible". It is to be hoped, therefore, that, in their understandable anxiety to have large schemes carried out in the public sector, the authorities will not be unmindful of the serious consequences to the country's economy of their enthusiasm getting the better of their discretion and judgment.



BUSINESS NOTES

SUSPENSE OVER COTTON EXPORT

COTTON HAS been very much in the news of late. With the uncertainty of the U.S. cotton policy hanging like Democles' sword—it has a nuisance value to cotton markets all the world over—one can only have a very hazy view of cotton export prospects in countries outside the U.S. That the uncertainty over the U.S. cotton surplus disposal Plan has been causing serious concern in cotton markets is evidenced by the recent statement of the President of the British Board of Trade in the House of Commons that Britain would use every appropriate method to bring home to the United States the urgent need for an early announcement of her cotton export policy for the coming season and that he would continue to urge America that she should not take any action as might endanger world trade in cotton. Following this, President Eisenhower's 'disclosure' at a Press conference that served to add further to the uncertainty.

Although there is evident anxicty in the minds of cotton men in India as to what shape the final U.S. disposal programme might take, they can have some consolation from the developments following the devaluation of the Pakistan Rupee, namely, reduction in the export duty on all exportable varieties of cotton of as much as Rs. 75 per bale. We had pointed out ere now in these columns that the comfortable statistical position of Indian cotton for the 1954-55 season would permit of a good quantum of exports, provided there were an extension of the validity period of licences. This latter too has since been effected by the Government of India. It has granted extension of the validity of the unutilised export licences issued for permissible varieties of Indian cotton during the present season till the end of December. Out of a total export quota of 4,50,000 bales, it may be noted here, about 2,50,000 bales have been shipped, leaving a balance to be exported of 2,00,000 bales. The granting of an additional quota for export of Zoda cotton to the tune of 5000 bales on the top of this is a clear indication of the bright prospects ahead especially in this style. As it is, export business has been brisk in this variety, inasmuch as the original ceiling of 30,000 bales fixed by the Government has already been reached. The trade response to the removal of the twin hurdles of high export duty and limited licensing period has been spectacular.

Although, presently, the prospects of cotton exports appear rosy enough, it must not be forgotten that everything depends on how America seeks to find outlets for her surplus cotton. According to Washington reports, it would appear that limited quantities of cotton in actual surplus with the Commodity Credit Corporation's stocks might be sold abroad at prices competitive with the present prices of foreign cottons. In the event of this report coming true, it would certainly affect our cotton exports and also tell upon cotton futures prices in this country, unless, of course the Government of India comes out with an announcement abolishing the entire export duty on cotton by acting as promptly as it has done in the matter of the devaluation of the rupee by Pakistan.

SWELLING SURPLUS WITH U.K.

INDIA'S EXPORTS to the U.K. for the first half-year of 1955 showed an excess, value-wise, of as much as £14,010,000 over those recorded in the corresponding period of the previous year. Tea continued to be the largest contributor, the value of exports of which amounted to as much as £43,094,000, as against only £27,940,000 for the first half-year of 1954. The increasing trend in exports has also been maintained in the case of cotton yarns and woven fabrics, the exports of which improved from £3,312,000 for the period January-June 1954, to £3,734,000 for the corresponding period in 1955.

The balance of trade for the six-month period under review has worked out in favour of India to the tune of £21,386,000, as against only £6,189,000 in the corresponding period in the previous year. On the import side, excepting for chemicals, India has shown modest declines in all the other major items of imports. Thus, the value of imports of machinery other than electric declined from £14,563,000 to £14,455,000, while that of electric machinery, apparatus and appliances at £7,480,000 for the current half-year compared unfavourably with £7,695,000 recorded in January-June, 1954.

It is too early to find any reflection of the recent steps taken by Britain to strengthen its economy in the figures of the principal exports and imports between India and the U.K., for the first half-year, but it is quite possible that the overall trade between the two countries for the next half-year will show definite change in the tempo of Britain's exports to India, what with the latter's helpful import policy.

AID TO ART SILK

THE EXTENSION of protection to the artificial silk industry for a further period of three years, that is up to December 31, 1958, has been generally welcomed, although the concerned interests had sought for an extension of protection for five years. By accepting the Tariff Commission's recommendation to extend protection to the country's artificial silk and cotton and artificial silk mixed fabrics industry, the authorities have shown that they are only too keenly alive to the needs of an industry which has yet to go a long way towards establishing itself. For there is still a wide gap between the capacity of the industry and its actual production. Thus, during the four years 1950-53 the actual output of artsilk fabrics ranged between 180 and 150 million yards as against the rated capacity of 375 million yards. Besides the under-utilisation of capacity, the industry's total domestic demand is also limited, the annual average being only 47 million yds. in the case of art silk fabrics and just a little over 3 million lbs. in yarn.

The industry, which is heavily concentrated in Bombay has, according to the Tariff Commission, a total loomage of 34,759 distributed over 1,569 mills. But the information provided by the Mills' Co-operative Organisations puts the total number of mills engaged in the manufacture of artificial silk fabrics even higher at 1,849 and the number of looms installed at 37,727. The capital invested by the members of the co-operative organisations alone amounts to more than Rs. 21 crores, while the total number of labour directly employed by the member-mills is more than a lakh. When so much of capital and labour is involved, it behoves the authorities to see that every assistance is given to keep the industry going. In this connection, it is significant that the recommendation of the Tariff Commission for the establishment of a Development Council has been accepted. As a matter of fact, the Government has just (on 8-8-1955) established a Development Council for the industry engaged in the manufacture of artificial silk and textiles and yarn. It was inaugurated by the Union Minister for Commerce and Industry in Bombay.

Two of the Commission's recommendation that are yet to be examined by the Government are: (1) need to control speculation in artificial silk yarn and (ii) regulation of exports of cotton linters after taking into account the domestic requirements.

HIGHER PROSPERITY PHASE FOR F.A.C.T.

IT WAS with a legitimate sense of pride that Mr. V. Seshasayee, Chairman of the Fertilisers and Chemicals, Travancore Limited, announced at the recent annual meeting that the company had entered upon a glorious phase of greater prosperity. The happiest news which the Chairman had to convey was the Government of India's final approval of the expansion scheme of the company and sanction accorded for provision of requisite financial assistance. The expansion scheme aims at raising the ammonia capacity by 100 per cent, increasing sulphate production by 50 per cent and going ahead with manufacture of ammonium sulphate.

It argues for the efficiency and vigilance of the management that in spite of power restriction which put a curb on production, output in the calendar year 1954 achieved a new peak at 31,741 tons of ammonium sulphate and 15,340 tons of superphosphate. The Central Fertiliser Pool arrangement was continued last year and the factory could succeed in obtaining a slight advantage in respect of price from the Pool. The headache of stock accumulation was avoided due to timely requisitions for supplies from the State Governments.

If labour-management relations in this enterprise were free from dislocation during the year, it must be remembered that the management had to buy peace at a heavy cost. The dispute raised by the employees and referred for conciliation could be settled by mutual agreement only on accepting additional commitment in the wage-bill of the order of Rs. 1 lakh. This contingency underlines certain serious problems. The indulgence which government policy has consistently shown to labour, even since before the acceptance of the socialistic pattern, cannot fail to act as a boomerang sooner rather than later. The limit of concessions has been reached in several industries and this industry is one of them. Any future increases in wages must be earned by labour by contributing its full share to increased productivity.

The Chairman could have been much more trenchant in his criticism of the tardiness of the Railway Ministry in handling hardships caused by shortages. But even his mild protest to the effect that while promises are profuse redress of grievances is appalingly sluggish should shake the Ministry out of its habit of slow tackling of pressing problems. It must certainly come as a news to many that F.A.C.T.'s minor request for opening a small railway station near Kalamassery has been promised prompt attention for the past six years, but action has not moved all these years. Why can a sense of urgency not be imported in tackling recurring transport problems?

FAIR PRICES FOR AUTOMOBILES

THE GOVERNMENT has referred the question of fair ex-works and fair selling prices for automobiles manufactured in this country to the Tariff Commission. Since May 1953 certain measures were taken to help bring these prices down. The reduction of customs duty on components so as to make its incidence equal to 40 per cent ad valorem on a complete CKD pack was the earlier among these steps. More recently, the commission allowed by manufacturers to their agents was reduced and the mark-up on spare part prices above landed costs was also narrowed down. These measures have not, however, helped to reduce consumer prices. A variation in prices has been necessary due to pressure of costs and an ad hoc increase has been granted by the Government in response to the request of manufacturers. In view of this development, the question of a scientific fixation of ex-works and selling prices has been transmitted to the Tariff Commission. The level of fair prices has to be related, of course, to the present stage of manufacture in the country. The second important term of reference requires the Commission to suggest a basis or formula for revision of prices as a larger number of components is produced with the progressive implementation of the programmes to which the manufacturers are committed. Such a formula can be suggested only on a broad principle as it is difficult to define how the different cost elements will react to varying conditions.

The expansion of the industry is undoubtedly dependent, in part, on lowering the selling prices since consumer demand in this country is much more sensitive to price increases than in other automobile manufacturing countries. The case of manufacturers is that the allround increase abroad in prices of automobiles has raised their costs of components and raw materials, the manufacturing costs of components in this country are higher than the landed costs of imported components and over-heads in this country are higher owing to low turnover. The ad hoc increase was granted because of these ingredients of higher costs. The issue of reducing automobile prices relates in a large measure to the central issue of turnover. Is it assumed that the Government has neither the means nor the responsibility to help raise the turnover? How long will indecision be allowed to persist and efforts will be put off to persuade the State Governments to adopt liberal and far-sighted policies on motor taxation and licensing as a direct aid to the development of motor transport?

PROTECTION FOR ALUMINIUM

THE CLAIM of the aluminium industry for continuance of protection beyond December 1955 is now being investigated by the Tariff Commission. This is a key industry whose rapid expansion in the near future is essential. India is undertaking a vast development of power projects and in view of her dearth of home resources of copper, it is only logical that aluminium output must be developed on a spectacular scale to meet the fast developing requirements of electricity. The indigenous resources of bauxite are considerable, distributed over wide areas and they are also of high grade. These are the primary considerations in examining the industry's claim to protection. In addition, it will have to be examined to what benefit protection has been put during the last six years in accelerating the progress of the industry.

On the second criterion, which is to be satisfied by evidence of actual performance, industry has a convincing case. It needs to be stressed that the special concession shown to this industry in the form of a subsidy on the sale of ingots was withdrawn after a brief span of about six months in October 1950. Except for this deviation, it had to rest content with a protective duty of 30 per cent ad valorem plus the surcharge of 5 per cent. The two producers of primary ingots, the Indian Aluminium Company and the Aluminium Corporation of India, will have expanded their capacity in the immediate future respectively from 5,000 tons to 15,000 tons and from 2,200 tons to 5,000 tons—an aggregate increase from 7,200 tons to 20,000 tons. It should not prove difficult to raise the capacity further to 34,000 tons which is the estimated increased demand in the near future. On the score of quality, there is some room for immediate improvement in the direction of purity in the case of ingots before full comparability with imported ingots can be conceded. But in so far as flat products including plates, sheets, circles and strips are concerned, they are of perfect comparability. Output has been on the increase on a continuous basis, but it is interesting to examine how it was pushed suddenly from 4,833 tons in 1954 (as against installed capacity of 7,200 tons) to 3,417 tons in the first half of 1955 which gives an annual rate of 6,800 tons and whether this tempo can be increased further. Production is now diversified over large varieties to cater particularly to the needs of industry.

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(3) Government of Bombay	..	Rs. 600 lakhs	Issue price	Rs. 100	0	0 per cent.
(4) Government of Hyderabad	..	Rs. 200 lakhs	Issue price	Rs. 99	0	0 per cent.
(5) Government of Madhya Pradesh	..	Rs. 100 lakhs	Issue price	Rs. 99	8	0 per cent.
(6) Government of Madras	..	Rs. 700 lakhs	Issue price	Rs. 99	12	0 per cent.
(7) Government of Mysore	..	Rs. 275 lakhs	Issue price	Rs. 99	0	0 per cent.
(8) Government of Saurashtra	..	Rs. 200 lakhs	Issue price	Rs. 99	0	0 per cent.
(9) Government of Uttar Pradesh	..	Rs. 600 lakhs	Issue price	Rs. 99	8	0 per cent.
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The loans will open for subscription on 16th August, 1955 and close on 31st August, 1955 or earlier without notice as soon as subscriptions approximate to the amount of each issue.

Each loan will bear interest from 1st September, 1955. Interest from the date of application to the 31st August, 1955 inclusive, will be paid to the applicants at the time of issue of new securities at the rate of 4 per cent per annum on the nominal value of the loan applied for and accepted.

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Applications for all the loans will be received at the offices of the Reserve Bank of India, Bombay, Calcutta, Delhi, Madras and Bangalore.

Applications for any particular loan other than Hyderabad and Mysore Government loans will also be received at branches of the State Bank of India and at Government Treasuries and sub-Treasuries within the State issuing them loan as indicated in the relevant loan notifications. Applications to Government of West Bengal Loan will not be accepted at Treasuries and Sub-Teasuries.

In the case of Hyderabad Government Loan applications will be received at branches of the Hyderabad State Bank and at Government Treasuries and Sub-Treasuries in the Hyderabad State. For Mysore Government loan applications will be received at branches of the Bank of Mysore Ltd. and at Government Treasuries and Sub-Treasuries in the Mysore State.

N.B.—Copies of Notifications and Application Forms may be obtained at any Receiving Office.

COMPANY AFFAIRS

INDIAN COPPER CORPORATION LIMITED

The Report with the audited accounts for the year ended December 31, 1954, shows that the total footage driven was 5,223, compared with 5,356 feet for the previous year, a decrease of 133 feet. 4,605 feet were sampled, against 4,458 feet in 1953; 1,983 feet or 43.1 per cent were payable, with a sampled value equivalent to 2.39 per cent copper over a stopping width of 59 inches, compared with 1,726 feet, or 38.7 per cent and a sampled value equivalent to 2.94 per cent, copper over a stopping width of 56 inches for 1953.

Ore Reserves show an estimated decrease of 47,284 short tons, at 3,369,286 short tons compared with 3,416,570 short tons at the close of the previous year with an average reduced value of 2.4 per cent. It has been possible, owing to the increase in the world price of copper to work on a pay limit of 1.80 per cent copper as in previous years, but as reported last year it may be necessary with increasing costs of production to increase the pay limit thus reducing the estimated ore reserves, should the world price revert to its former level. The mill treated 367,737 short tons of ore, averaging 2,352 per cent copper, with 254,072 short tons, averaging 2,295 per cent copper, for the previous year. The output of rolled products, which includes 3,211 tons of cold rolled brass and 90 tons of cold rolled copper, was 6,261 long tons as compared with 3,491 long tons in the previous year.

8,800 long tons, including 4,290 tons of copper ingots, were despatched for sale during the year as compared to 7,583 tons including 3,879 tons of copper ingots during the previous year. The operating costs as compared to the previous year decreased considerably due to the increased production and the absence of any prolonged strike.

Profit and Loss account shows a profit for the year amounting to		£ 898,382
Add—		
Unappropriated profits as at the 1st January, 1955		„ 76,278
		£ 974,660
Less—		
Depreciation of Building Machinery etc	£ 100,000	
Taxation on Profits	„ 264,395	
General Reserve	„ 150,000	
Provision for Gratuities and Superannuation	„ 120,000	
Proposed Dividend No. 27 of 15 per cent and Bonus of 10 per cent free of Income-Tax Payale by the Company	„ 228,500	„ 862,945
Unappropriated profits carried forward		£ 111,715

The Directors recommend the payment of Dividend No. 27 at the rate of 15 per cent and a Bonus of 10 per cent both free of Income-Tax.

THE ORIENTAL FIRE AND GENERAL INSURANCE COMPANY, LIMITED

The Report together with Audited Accounts and Balance Sheet for the year ended 31st December, 1954, shows that in five departments the net premiums after deduction of refunds and reinsurances amounted to Rs. 11,59,113 and the net claims paid and outstanding to Rs. 3,10,573. Commission Expenses of Management and Taxation amounted to Rs. 5,30,167. A balance of Rs. 3,55,827 being profit is transferred to the Profit and Loss Account after setting aside as Reserve for Unexpired Liability the sum of Rs. 4,97,110 being 40 per cent of the net premium income for the year, and an additional reserve of Rs. 1,24,278. In Marine Department the net premiums after deduction of refunds and reinsurances amounted to Rs. 1,18,697 and the net claims paid and outstanding to Rs. 31,560. Commission and Expenses of Management amounted to Rs. 41.681. After providing a Reserve for Unexpired Liability of Rs. 1,18,697, being 100 per cent of the net premium income, and an additional reserve of Rs. 25,000 a sum of Rs. 35,590 being loss is transferred to the Profit and Loss Account. In Accident and Miscellaneous Department the net premiums after deduction of refunds and reinsurances amounted to Rs. 5,26,220 and the net claims paid and outstanding to Rs. 1,83,690. Commission and Expenses of Management amounted to Rs. 2,15,231. A Balance of Rs. 64,307 being profit is transferred to the Profit and Loss Account after setting aside as Reserve for Unexpired Liability the sum of Rs. 2,10,488 being 4 per cent of the net premium income for the year, and an additional reserve of Rs. 52,622.

Profit and Loss Account shows that net interest, dividends and other income not applicable to any particular funds or account amounted to Rs. 2,07,306 to which has been added Rs. 3,55,827 transferred from the Fire Revenue Account and Rs. 64,307 from the Miscellaneous Revenue Account. After deducting the sum of Rs. 35,590 being loss from the Marine Revenue Account, Rs. 4,651 being Indian Taxes, Rs. 231 being loss on sale of investments, Rs. 292 being loss on sale of funiture and Rs. 5,000 being the Reserve for Bad and Doubtful debts, a credit balance of Rs. 5,81,676 being profit for the year has been carried to the Profit and Loss Appropriation Account. After bringing in the amount carried forward from the 1953 account (less Dividends since paid Rs. 1,50,000) amounting to Rs. 51,673 and transferring Rs. 2,25,000 to Reserve for Taxation and Rs. 1,50,000 to General Reserve, there remains a balance of Rs. 2,58,349. The Directors recommend payment of a Dividend for the year at the rate of Rs. 20 per share free of income tax, which will absorb Rs. 2,00,000. It is proposed to carry forward the balance of Rs. 58,349 to the next account.



COMMODITY NEWS AND NOTES

FIRST SUGARCANE ESTIMATE

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the All-India first estimate of sugarcane, 1955-56 puts the current year's acreage at 3,970,000 acres, as against 3,647,000 acres of the adjusted first estimate for 1954-55. This shows an increase of 323,000 acres or 8.9 per cent in area.

The increase in acreage under sugarcane during the year has been reported mainly by Uttar Pradesh and to a lesser extent by Punjab, West Bengal, Rajasthan, Madhya Bharat and Saurashtra and has been attributed to favourable season and better irrigation facilities during the current year as compared to the previous year. This increase in acreage has, however, been offset to some extent by the decreases recorded by Bihar, Madhya Pradesh and Hyderabad.

GRAM ESTIMATE

The All-India final estimate of gram for 1954-55 puts the year's area and production at 20,991,000 acres and 5,125,000 tons, as against 19,754,000 acres and 4,775,000 tons in the partially revised estimate for 1953-54. This shows an increase of 1,237,000 acres or 6.3 per cent in area and 350,000 tons or 7.3 per cent in production over 1953-54.

The increase in acreage during the year has been shared mainly by Punjab, PEPSU and Rajasthan and to a lesser extent by Hyderabad, Delhi and Bombay due to sufficient and timely rainfall received at the time of sowing.

WHEAT AND BARLEY ESTIMATE

The all-India final estimate of rabi cereals (wheat and barley) for 1954-55 puts that year's area and production at 34,841,000 acres and 11,325,000 tons, as against 35,031,000 acres and 10,777,000 tons in the partially revised estimate for 1953-54. This shows a negligible decrease of 190,000 acres or 0.5 per cent in area, and an appreciable increase of 548,000 tons or 5.1 per cent in production over 1953-54.

The breakdown figures are: Wheat 26,842,000 acres and production 8,539,000 tons, barley 7,999,000 acres and production 2,786,000 tons.

The decrease in acreage during the year has been shared mainly by Bihar, Uttar Pradesh, and Bombay and to a lesser extent by Vindhya Pradesh, Kutch and West Bengal. The decrease in acreage in Uttar Pradesh is attributed to low prices of barley crop prevailing at the time of sowing, whereas in other States it is due to unfavourable weather conditions. This decrease in acreage has been to some extent offset by the increases reported mainly by Punjab, Rajasthan and PEPSU.

In spite of an overall negligible decrease in acreage the production has shown an appreciable increase as compared to last year. The increase in production reported by almost all the rabi cereals growing States except Bihar and PEPSU has been shared mainly by Punjab, Madhya Pradesh, Rajasthan, Uttar Pradesh, Madhya Bharat and Hyderabad.

TEA IMPORTS INTO U.K.

Latest available figures go to show that there has been a fall in the exports of tea from India and Ceylon to the United Kingdom. For the first five months of this year total imports of tea into that country were 230,791,000 lbs., against 213,613,000 lbs. in the same period last year. Out of this, aggregate imports from India and Ceylon were 181,351,000 lbs., against 185 million lb. a year ago. The increase is reported to have come from other countries such as Pakistan, Nyasaland and Portuguese East Africa.

Concern has been expressed in this connection by the foreign shareholders of Pakistan tea companies, following the failure of the Pakistan Government to provide remittance facilities to certain tea estates which have made handsome profits—the Buchanan group being a notable example. As a result, the companies have been compelled to postpone payment of dividends to their shareholders. An idea of the extent of exchange difficulties felt in this regard could be formed from Karachi's decision to devalue the Pak Rupee mainly with a view to boosting the export trade and tiding over the aggravating foreign exchange shortage.

U.S. JUTE GOODS CONSUMPTION

There has recently been a steady increase in the consumption of burlap in the United States. The total consumption for the first six months of this year is estimated at 409 million yards, compared with 375 million yards for the same period last year—an approximate increase of 8 per cent. U.S. burlap stocks, which have been increasing over the past several months, were nine million yards less at the end of June than they were at the end of May. At an estimated 252 million yards, 157 million yards were spots and 95 million yards were afloats.

U.S. COTTON POLICY

The U.S. Administration, according to Dow Jones and Co., has shelved, at least for the present, a plan to subsideis cotton exports in the 1955-56 crop year. The decision against cotton subsidies was reached at a recent meeting of the U.S. President's council on foreign economic policy. The Administration veto of cotton subsidies does not mean, Dow Jones adds, that the Secretary for Agriculture, Mr. Benson, will rule out all possibility of a cotton subsidy scheme later in the crop year.

MORE SYNTHETIC RUBBER

In their first two months of private ownership and operation, American synthetic rubber plants turned out rubber at the highest peacetime level in the industry's 15-year history. Announcing this, Goodrich-Gulf Chemicals, Inc., stated that during May and June the industry produced about 160,300 long tons of synthetic. Approximately 130,700 long tons was GR-S, the general-purpose tyre rubber used extensively in tyre manufacture. This production was 73 per cent higher than that of May and June 1954. Another synthetic plant is in standby and not operating now.

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Company Meeting

THE FERTILISERS AND CHEMICALS, TRAVANCORE, LTD., Alwaye

Speech delivered by Shri V. Seshasayee, Chairman of the Fertilisers and Chemicals, Travancore, Ltd., at the Eleventh Ordinary General Meeting held on 29th July, 1955.

Gentlemen

I have great pleasure in welcoming you all to this the Eleventh Ordinary General Meeting of the Company. The Directors' Report and the Statement of Accounts for the year 1954 have already been circulated to you.

As you would have seen from the Report, the year under review has shown a profit of just over Rs. 30,000. Admittedly this is an infinitesimal surplus and has very little bearing on the total capital employed by the Company. But I am happy to say that in the past few months there has been a heartening improvement in general conditions and the revenue accruing to us has appreciably been increased. The nominal profit can be said to mark a turn for the better in the affairs of the Company and to that extent it is satisfactory and significant. Results would have been better if there had been no power restriction and consequent curtailment in production during the summer of last year. In spite of these handicaps, the factory was able to produce 31,741 tons of Ammonium Sulphate and 15,340 tons of Superphosphate which, as you would have no doubt observed, is a record for any year since commencement of business.

As a result of the many representations made by us, the Central Fertiliser Pool continued to function in 1954, and our entire production of Ammonium Sulphate was taken into the pool as was done in the previous year. We had also better luck in 1954 in regard to despatches, as instructions were received from respective Governments in good time thereby saving us from the embarrassment of having to carry large accumulated stocks. On price realised, however, our experience was not so good. Our factory being a very much smaller one than Sindri, our costings, compared to those of latter, are necessarily higher and we had to struggle hard to make the Central Government appreciate this aspect of the problem. Luckily, they have seen our point and have granted us a slight advantage in price. Sindri, by its location and size and its immense resources, is in a class by itself and the only way we can bridge the difference between their costings and ours is by expanding the capacity of our own plant. With this object in view and, further, to prepare for the increasing demand in nitrogenous fertilisers in the South, we submitted a proposal to the Government of India for permission to expand our plant and sought of them financial assistance. The expansion proposals envisaged doubling the ammonia capacity and the utilisation of the additional ammonia for increasing sulphate production by 50 per cent and diverting the rest for the manufacture of another fertiliser, namely, ammonium phosphate. This scheme has already been examined and approved by an Export Committee appointed by the Government of India.

Towards the end of 1954 the Ammonium Chloride Plant, with a capacity of 25 tons per day, was completed and trial production started. It gives me real pleasure to bring to your notice that the erection and commissioning of this plant was done entirely by our own personnel. The plant has been designed with ample capacity; it will meet not only present needs, but all possible increased requirements for this chemical in the forseeable future. Synthetic ammonia from our own factory and hydrochloric acid from the neighbouring plant of the Travancore-Cochin Chemicals Limited render it possible for us to produce ammonium with the highest purity. We can take pride in the fact that we are pioneers in the production in India of this Chemical. While making another step in the industrialisation of the country, this development also offers us an opportunity of increasing our earnings. The factory went into commercial production on the 1st of January, 1955, but was officially opened by Shri Panampilli Govinda Menon, the Chief Minister of this State on the 4th of June, 1955.

The Travancore-Cochin Chemicals Limited in which your Company holds Rs. 25 lakhs worth of shares has shown this year a profit of Rs.3,93,275. Though no dividend was declared by the Company for 1954, the carry-over of this figure with the improved prospects for 1955 should result in a valuable contribution to our next balance-sheet.

The labour situation was fairly satisfactory during the year under review. Demands put forward by the Employees' Association were referred to adjudication but, later, an agreed settlement was arrived at through negotiation. The concessions granted under the settlement involved us in an additional commitment of nearly a lakh of rupees over the year. The decision of our Government to shape the country's economy on a socialistic pattern has a profound significance to industry generally. The Union Labour Minister rightly stressed that there are certain industries in which any further expenditure on labour can only be justified by securing greater productivity. If the private sector is to consolidate itself and to reach out for the new targets set for it, we have to ensure that not only do we pay our way through, but that we put by from current earnings some monies which would enable us to grow in strength. What is now needed is vision on the part of Management and a realisation on the part of labour that success calls for the workers and Management to pull together. Government on their part should recognize that in the present context of things the limits beyond which capital cannot go are soon reached. Unrealistic claims by labour on the resources of industry are likely to have a crippling effect on the latter with the attendant danger to the country's economy. It is well within the knowledge of many that existence in India is mostly marginal and even the slightest rise in the price of an article leads to abridgment of demand out of all proportion to the price increase. Therefore, our endeavour should be to maintain prices at the level where maximum demand can be secured thereby assur-

ing continuity of production with all the economies which that means. It is not our intention to deny to workers their legitimate rights, but it should be recognised we cannot mortgage the future for satisfying present importunity.

One of our most pressing problems is that of transport—transport by water, by road or by rail. If the ambitious second Plan is to succeed, most urgent attention must be given to the question of transport. But judged by our actual experience, we find that in spite of the many assurances given in authoritative quarters, the pace of rectification and improvement is dishearteningly slow. I may mention here, for instance, our request to the Railway Board for the opening of a small station near Kalamassery which would help this factory not only by assuring quicker transport of our products but in effecting small economies as well. Correspondence covering this subject has been going on intermittently for over six years and while every Minister and high official has promised speedy attention, the work on this small Station is yet to commence. Myriads of such complaints are heard all over the country. While we do appreciate that development of transport demands materials which may be in short supply today, it is inconceivable that a minor project like this should be held up indefinitely. The sum of many such arrears would break the back of our economy, particularly when production is to be stepped up at the rate which the second Plan envisages. Roads have to be widened and better surfaced, bridges made capable of meeting the demands of heavier vehicles and railways should not only improve their rolling stock but should also provide better handling facilities and more spacious yards. Wherever bottlenecks have appeared, drastic action is called for. To the cynic it may appear that while promises are galore, the only reality has been a rise in freights and fares. It is, therefore, a good augury that our energetic Commerce and Industries Minister is working in close association with the Railway Minister to cope with this stupendous problem of transport.

We firmly believe that the period of loss and poor return is now behind us. We do greatly appreciate the patience and this forbearance you have shown during these years. We are confident that when the next year's accounts are presented, there will be a much better showing and this hope is based not only on the present improved working but on the prospect of expansion for which the Government of India have sanctioned requisite funds. This bit of happy news has been communicated to us only within the past few days. Shortages in power and in supplies of sulphur are things of the past. Barring accidents, we should be able to maintain uninterrupted production at rated capacity. The plant is well tuned as is proved by the record production of the first 6½ months of this year and our staff have gained greater confidence and experience in facing up to their tasks.

Before I conclude I wish to offer my grateful thanks to the Union Government and the Governments of Travancore-Cochin and Madras for their unstinted support and their ready assistance in enabling us to overcome the many difficulties that confronted us during the year.

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The applications will be received at the offices of the Reserve Bank of India, Bombay, Caclutta, Delhi, Madras and Bangalore; at Branches and Treasury Pay Offices of the State Bank of India within the State of Bombay and at the Government Treasuries and Sub-Treasuries in the State of Bombay at places where there is no branch or pay office of the State Bank of India.

Full particulars can be obtained at any of the offices of the Reserve Bank or Branches and Pay Offices of the State Bank of India or at any Government Treasury or Sub-Treasury in the State of Bombay.

BOOK REVIEWS

QUEST FOR FREEDOM?

QUEST: A bi-monthly of arts and ideas: Edited by Nissim Ezekiel: 148 Mahatma Gandhi Road, Bombay: Re. 1 per issue. Sponsored by the Indian Committee for Cultural Freedom.

Perhaps, there is no other country where the writer is so much at the mercy of Fate as he is in India. Writers work to order under totalitarian regimes and in return their bodily needs are looked after. How they make their peace with their Maker is a matter of conjecture. Perhaps the Body is the more important. But a writer by the very nature of his vocation is one who has defied convention more or less in becoming a writer. If he justifies himself, Society should find a place for him and provide him with more than bare shelter. This somehow or other he does find and has found through the ages. What a writer (or an artist for that matter) needs more than anything else is a place in society. As a pariah he will continue to pour out his lamentations or paeans as the case may be but he will not give of his best.

It was expected that with Independence writers would receive better recognition at the hands of the country. But except for the creation of Akademies and the institution of some paltry prizes, some of them going to authors for works published decades ago, the State has done little to encourage the writer in a free society. Unlike in England, France, America and Australia, in India there are no awards, scholarships, prizes the receipt of which helps to make a writer famous. The number of writers who can make a living from literary journalism in India can be counted on the fingers of one's hand. Nor does AIR act as fairy godmother to the Indian writer as the BBC does to British writers. In any case AIR's strait-laced policy will not allow it to encourage any but the most timid writers. Recently W. H. Auden giving a series of talks on Poetry—The Dyer's Hand—quoted a poem by D. H. Lawrence which one cannot imagine AIR ever allowing to be transmitted. One of the casualties of Independence has been free comment. A fettered writer (or journalist) is useless except in a regimented society.

It is therefore encouraging for us who believe that it is better to starve if only we have the freedom to shout "Down with Something or Someone" when we feel like it that the Indian Committee for Cultural Freedom have sponsored "Quest" under the able editorship of Mr. Nissim Ezekiel. The first issue of the magazine is good to look at and better to pore over. The editor is modest in his claims. He admits that most of the articles which have found their way into the first issue might have found a place in the Sunday Press. Not most: a few perhaps. The editor has done a fine job of selecting and one must applaud him when he says that for another such story of Narendra Mitra's ("Sap", translated from the Bengali) he would willingly sacrifice many pages of intellectual provocation. The story of a young man who tapped palm juice which he boiled into sugar, or rather which a woman boiled for him, has excellent descriptions of the moods of a woman as depicted in her talk. The smell of the Indian earth breathes through the words of Mitra's characters. It is a first-rate piece of writing. Poems, articles of a provocative nature, one particularly, "The Future of Indian Music" by Comolata Dutt, give a nice balance to the contents of the first issue of "Quest".

May it flourish and serve the writer, both Indian and non-Indian.

FAIR DEAL FOR THE VILLAGER

Industrial Development: A New Approach: By Sushil Dey: Thacker, Spink & Co., Ltd.

Until the inauguration of the Five-Year Plan our attitude towards village crafts and cottage industry was either one of paternalism or indulgence. It was mixed with a vague feeling that arty-crafts and the village were synonymous. The villagers were there to be looked at and to produce quaint things which we urban dwellers bought much as tourists buy souvenirs at Niagara Falls. We tolerated the village, waiting for its eventual dissolution in the urban set-up.

Now Mr. Dey comes along and routs all these pet theories of ours. He tells us, particularly on the strength of his experience with the village of Kulkuri (Birbhum District) with its 581 inhabitants, that the Indian villager is active and dignified, is anxious to improve the standard of his living, and eager to improve his crafts and industries, but that he is hindered in his ambition by the primitive village economy which is India's general legacy.

In order to change this pattern Mr. Dey does not advocate model villages built under official patronage; nor does he translate rural uplift solely in terms of better drinking water, sanitation, education, and other amenities. Welfare and wealth, he argues, must go together. The wealth may not be in cash necessarily but in increased production of consumer goods, and later, maybe, even of capital goods,

It is, however, not enough to say we must expand production in industry. How is it to be achieved within the existing village economy where the labour of blacksmith, carpenter, weaver and potter is in terms of the limited needs of the community? It can be done not by an unilateral stimulus but by a multilateral urge for production. "This need," says the author, "and local capacity for its satisfaction can be brought together as soon as each of these people agrees to produce for exchange with what the others are willing to produce." At the beginning production must be for use in the community. This is not the old-established system of barter, nor does it amount to taking in each other's washing. To quote Mr. Dey, "For those who feel secure only behind learned labels, we can suggest a sophisticated name for this essentially simple arrangement. It is a commodity and service exchange with a clearing house device for credits." Self-sufficiency is not the aim but a progressive extension of the village economy with that of the outer world. "As the wealth of the village increases, it will find a greater surplus for trade in the open market." Though this process may seem slow, it is, nevertheless, an industrial advance. The extension of democracy to the economic sphere means inevitably evolution of the Indian village economy from "the simple to the diversified and increasingly complex" whereas according to Marxist theory the criterion of progress is conformity with technological advance. But high living and sane living are two quite different things. Our social planning must be directed to the creation of communities with a balanced economic growth.

According to Mr. Dey this can be achieved by our ceasing to be hypnotised by "the few large-scale modern installations we have been able to set up" and by a reorientation of our attitude to small-scale undertakings. If the author is to be believed Kulkuri has proved his thesis. The network of Community Projects and Extension Blocks can stimulate the remaining Kulkuris of India.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
September 1954 ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	120.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348 8*	377.0	605 4	376.1	90.4	100.5	88.3	116.0
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	330.6	370.0	567.4*	342.6*	90.8	100.6	87.5	113.2
Week Ending										
25-6-1955 ..	288.7*	389.9	332.3*	369.5	563.2*	345.2*	90.7	100.8	87.7	114.3
2-7-1955 ..	299.0	398.7*	329.7*	369.9*	568.0*	350.1*	90.9	100.7	87.6	115.6
9-7-1955 ..	304.0	412.8	331.6	370.6	567.8	354.7	90.9	100.7	87.7	116.9
16-7-1955 ..	317.8	408.3	331.1*	370.5	570.1	358.8	90.9	100.8	88.0	118.6
23-7-1955 ..	312.5	407.7	329.8	370.9	552.7	356.3	90.9	100.8	87.9	118.7

†Economic Adviser's Series. c Average of weeks. *Revised
††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 July	349	366	241	134	331	400	373	141	339	145	140	138
August	345	362	237	135	330	408	372	140	336	145	141	138
September	347	364	236	137	332	406	371	137	335	147	142	138
October	346	363	235	141	336	404	369	134	338	145	143	138
November	344	361	227	139	325	387	370	135	337	146	139	135
December	341	352	217	135	321	369	370	128	337	144	135	134
1955 January	335	358	210	132	324	372	370	126	333	141	136	134
February	329	345	207	128	310	384	361	126	326	137	135	131
March	324	340	205	127	310	377	360	129	321	133	133	130
April	324	340	200	126	311	352	353	130	314	129	129	129
May	320	336	204	122	—	335	351	—	—	—	—	—
June	—	333	211	123	—	347	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED											
	6-8-1955			30-7-1955			23-7-1955			16-7-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	94-11	94- 8	94-10	94-14	94-10	94-12	94-12	94- 1	94- 6	94-13	93- 8	94- 3
Silver (per 100 fine tolas)	162- 0	161-12	161-15	161- 5	160-10	161- 4	160-10	158-12	160- 3	162- 4	158- 7	160- 8

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52:91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56.33	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
Week Ending										
24-6-1955	1,310,79	30,30	1,341,03	40,02	652,04	692,06	51.60	105,39	543,64	1,341,09
1-7-1955	1,312,72	28,58	1,341,30	40,02	652,04	692,06	51.60	105,60	543,65	1,341,30
8-7-1955	1,321,64	19,15	1,340,79	40,02	652.04	692,06	51.62	105,08	543,65	1,340,79
15-7-1955	1,310,85	30,93	1,341,78	40,02	652,04	692.06	51.58	106,07	543,65	1,341,78
22-7-1955	1,297,99	30,32	1,328,31	40,02	637,04	677,06	50.97	107,60	543,65	1,328,31
29-7-1955	1,291,47	37,72	1,329,20	40,02	637,04	677,06	50.94	108,49	543,65	1,329,20

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	196,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
Week Ending														
24-6-1955	57,83	11,21	54,52	21,84	145,40	45,88	201,29	30,46	10,75	63,93†	80	26,80	37,90	30,65
1-7-1955	58,96	12,34	46,14	35,70	153,14	30,04	193,17	28,69	11,96	61,86†	91	37,20	46,55	6,01
8-7-1955	84,07	17,67	46,87	14,90	163,51	28,76	202,26	19,25	9,96	63,32†	86	41,69	61,24	5,94
15-7-1955	81,74	20,05	52,27	14,81	168,86	29,37	208,23	31,08	9,40	64,36†	80	35,45	61,21	5,93
22-7-1955	79,62	18.90	53 34	14,67	166,53	35,59	212,12	30,47	8,58	79.62†	83	25,40	61,24	5,98
29-7 1955	80,24	20,19	54,46	15,06	169,95	36,88	216,84	37,87	7,75	80,03†	1,00	22,47	61,47	6,25

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.76	523,59	22,81	61.77	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
January 1955 ..	576,31	368,39	945,19	32,83	60,31	9.85	476,93	78,24†	58.74	351,33
February ,, ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March ,, ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
Week Ending										
24-6-1955 ..	602,56	393,74	999,29	34,27	52,45	8.68	498,43	111,38†	63.07	346,56
1-7-1955 ..	600,72	397,91	998,63	35,59	47,26	8.30	508,88	108,83†	63.40	350,46
8-7-1955 ..	593,87	399,58	993,45	34,37	45,71	8.06	505,95	110,44†	63.83	358,55
15-7-1955 ..	602,58	402,05	1,004,63	33,77	49,75	8.31	499,45	110,89†	62.75	367,18
22-7-1955 ..	603,59	406,39	1,009,98	33,38	52,29	8.48	493,06	111,41†	61.06	368,43

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
May 1954 ..	1,830,54	1,229,31	601,23	563,56	37,67	−14,38
June ,, ..	1,798,01	1,199,85	598,16	564,99	33,17	−32,53
July ,, ..	1,769,96	1,167,95	602,01	568,64	33,37	−28,05
August ,, ..	1,764,85	1,159,94	504,91	577,98	26,93	−5,11
September ,, ..	1,767,40	1,166,93	600.47	576,01	24,46	+2,55
October ,, ..	1,791,02	1,179,19	611,83	579,08	32,75	+23,62
November ,, ..	1,801,96	1,182,56	619,40	591,39	28,01	+10,94
December ,, ..	1,843 23	1,218,99	624,28	597,20	27,08	+41,32
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+29,19
February ,, ..	1,910,42	1,267,42	643,00	610,04	32,96	+37,95
March ,, ..	1,976,36	1,307,23	669,13	599,16	69,97	+65,94
April ,, ..	1,998,88	1,338,65	660,23	614,26	45,98	+22,52
May ,, ..	1,985,61*	1,334,59*	641,01*	616,89*	24,12	−13,27*
June ,, ..	1,985,51*	1,340,94*	644,57*	623,33*	21,23	−10*

* Provisional.

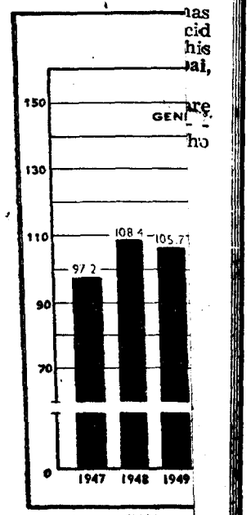
INDIA'S BALANCE OF PAYM

Current Account: Region-wise S

	1951
All Areas	
Imports c. i. f.	862.4
Exports f. o. b.	749.5
Trade Balance	—112.9
Official Donations (Net)	+1.4
Other Invisibles (Net)	+54.1
Current Account (Net)	—57.4
STERLING AREA (EXCLUDING PAKISTAN)	
Imports c. i. f.	301.2
Exports f. o. b.	368.3
Trade Balance	+67.1
Official Donations (Net)	+1.4
Other Invisibles (Net)	+60.2
Current Account (Net)	+128.7
PAKISTAN	
Imports c. i. f.	79.3
Exports f. o. b.	26.2
Trade Balance	—53.1
Official Donations (Net)	—
Other Invisibles (Net)	+6.5
Current Account (Net)	—46.6
DOLLAR AREA	
Imports c. i. f.	247.5
Exports f. o. b.	183.2
Trade Balance	—64.3
Official Donations (Net)	—
Other Invisibles (Net)	+2.5
Current Account (Net)	—61.8
O. E. E. C. COUNTRIES	
Imports c. i. f.	108.9
Exports f. o. b.	85.0
Trade Balance	—23.9
Official Donations (Net)	—
Other Invisibles (Net)	—1.9
Current Account (Net)	—25.8
REST OF NON-STERLING AREA	
Imports c. i. f.	125.3
Exports f. o. b.	86.8
Trade Balance	—38.5
Official Donations (Net)	—
Other Invisibles (Net)	—13.3
Current Account (Net)	—51.8

* Includes Non-Monetary Gold Movement (Net)—Rs. 1.0 Crore.

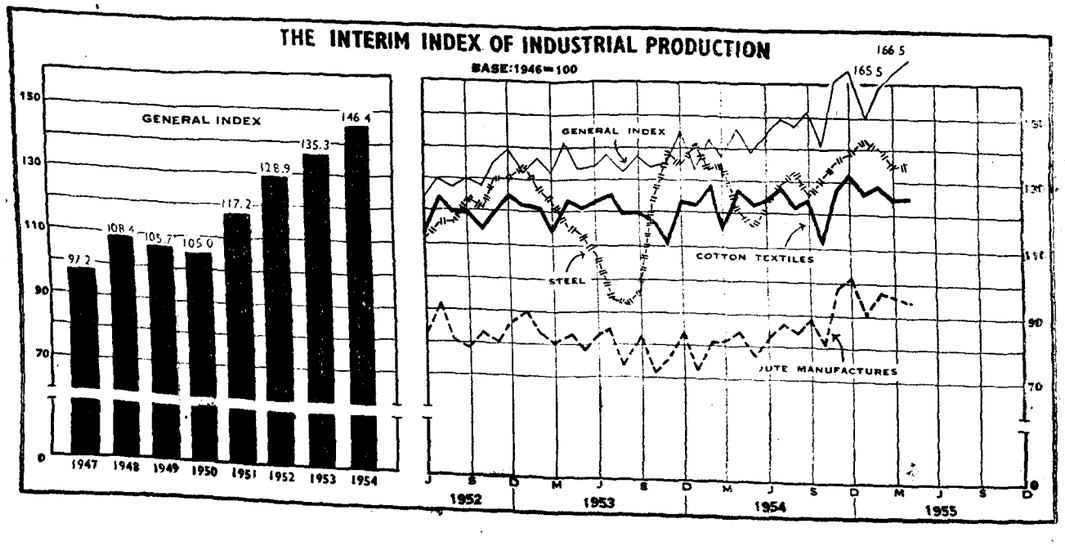
Period	
1947 ..	
1948 ..	
1949 ..	
1950 ..	
1951 ..	
1952 ..	
1953 ..	
1954 ..	
November 1952 ..	
December ,, ..	
January 1953 ..	
February ,, ..	
March ,, ..	
April ..	
May ,, ..	
June ,, ..	
July ,, ..	
August ,, ..	
September ,, ..	
October ,, ..	
November ,, ..	
December ,, ..	
January 1954 ..	
February ,, ..	
March ,, ..	
April ,, ..	
May ,, ..	
June ,, ..	
July ,, ..	
August ,, ..	
September ,, ..	
October ,, ..	
November ,, ..	
December ,, ..	
January 1955 ..	
February ,, ..	
March ,, ..	
April ,, ..	



THE INTERIM INDEX OF INDUSTRIAL PRODUCTION

(Base: 1946=100)

Period	General Index	Cotton Textiles			Jute	Coal	Sugar	Paints and Varnishes	Cement	Paper	Matches	Sulphuric Acid	Steel Ingots and metal for castings	Diesel Engines
		Total	Yarn	Cloth										
1947 ..	97·2	95.8	94·8	96.2	96·6	103.9	97.6	100.5	93.9	87.8	113.0	100.0	97.1	144.8
1948 ..	108·4	109.0	105·9	110.5	100·2	103.2	116.5	93.0	100.7	92.4	129.4	133.3	97.1	216.7
1949 ..	105·7	99.7	99·4	99.9	84·8	108.9	108.5	80.5	136.3	97.4	127.8	165.8	104.6	438.9
1950 ..	105·0	94.1	85·9	93.8	76·8	110.8	105.8	72.8	169.5	102.7	127.0	170.8	111.2	971.7
1951 ..	117·2	101.3	95·4	104.3	80·4	118.8	120.8	87.2	207.2	124.4	140.3	178.2	116.0	531.9
1952 ..	128·9	113.8	106·0	117.7	87·4	125.4	161.9	83.8	229.3	129.7	159.1	160.1	122.0	897.9
1953 ..	135·3	119.9	110·1	124.8	79.8	124.1	139.9	83.5	245.1	131.8	150.0	181.8	116.5	785.6
1954 ..	146·4	123.3	114·2	127·9	85.2	127.3	109.2	92.4	285.1	146.5	131.1	248.0	130.2	1,820.6
November 1952 ..	134·6	120.1	112·6	123·9	80.9	121.8	137.0	97.9	242.5	130.7	154.7	174.8	130.5	500.5
December ,, ..	138 6	124.0	117·1	127.5	85.5	131.9	127.4	91.5	244.3	133.1	155.5	183.8	129.1	527.3
January 1953 ..	131·1	121.1	113·0	125·2	78.9	126.7	107.6	98.6	224.7	129.4	152.4	173.7	133.5	314.8
February ,, ..	135.9	120.8	110·0	126.2	82.0	138.1	116.8	75.6	225.3	129.9	161.7	175.7	127.3	222.7
March ,, ..	131.1	114.1	101.9	120.2	80.4	125.3	168.0	76.0	225.6	126.5	153.2	130.4	123.8	495.4
April ..	140.6	122.6	108.3	129.8	82.9	136.6	460.1	85.5	224.0	134.2	152.1	147.6	115.9	311.8
May ,, ..	132.8	120.4	107.1	127.0	78.3	130.2	570.0	77.0	247.2	122.3	150.1	161.6	113.5	344 5
June ,, ..	133·2	122·9	111·0	128.8	81·2	122.6	136.4	79.6	251.4	121.6	151.9	165.8	107.8	522.3
July ,, ..	136·3	125.7	114·4	131·3	84.7	112.2	..	72.5	262.8	147.0	150.7	194.1	94.6	741.8
August ,, ..	131·0	119.5	109·6	124·5	73.5	111.9	..	82.5	234.4	137.7	126.4	207.3	91.2	887.6
September ,, ..	137·2	119·5	111·9	123.3	81.6	125.1	12.5	88.8	243.0	148.0	138.0	203.0	96.4	1,242.0
October ,, ..	133·4	118.9	111·5	122.6	72.1	119.7	32.6	93.6	251.3	137.2	119.5	214.1	121.2	1,430 7
November ,, ..	134.3	109.8	105.6	111.9	77.0	112.7	176.8	86.0	266.6	124.7	133.2	193.9	138.0	1,223 8
December ,, ..	144.7	122.9	116.5	126.1	84.0	128.9	127.0	85.1	282.2	122.1	134.4	212.3	134.4	1,737.5
January 1954 ..	133.2	121.7	113.4	125.8	72.7	118.3	105.9	97.5	276.9	114.7	130.4	218.4	140.3	1.672.1
February ,, ..	141.6	127.1	116.4	132.5	81.7	137.8	100.2	83.0	297.3	115.6	130.4	260.6	133.9	1,517.2
March ,, ..	138.1	117.2	107.9	121.9	81.6	125.1	97·7	95.5	296.9	127.4	130.7	225·8	134·2	1,807.9
April ,, ..	145.6	126.2	114·9	131.9	83.7	127.9	127.2	95·4	283.7	158.3	114.3	232.7	121.0	1,766.8
May ,, ..	140.3	121·7	110·6	127.2	77.0	121.3	43.3	102.4	285.0	141.0	125.5	234.4	116.2	1,664.6
June ,, ..	146.0	123.9	113.4	129.2	83.3	121.5	..	94.7	278.0	150.3	100.7	231.4	123.1	2,008.5
July ,, ..	150·5	127.2	116.8	132.3	87.2	120.8	..	95·1	278.6	148.2	132.4	235.0	128.6	1,770.2
August ,, ..	147·4	120.2	113·6	123·7	84.5	120.5	..	85.1	261.4	142·1	136.1	283.6	133.2	1,571.5
September ,, ..	152·5	123.7	115·8	127·6	88·2	133.5	293.8	96·5	285.1	149.1	146.2	264.6	125.1	1,865.6
October ,, ..	141.6	111.4	105·5	114·1	81.1	119.0	165.1	89.1	284.1	155.2	139.8	265.6	130·3	1,609·3
November ,, ..	160·7	127.7	120·0	131·5	98.9	139.9	361·3	108.0	290.6	172.5	143.3	255.6	136.9	2,276·1
December ,, ..	165·8	131.6	122·3	136·3	101.5	142.7	154·8	104·6	303.8	181·6	143·2	267 9	139·0	2,632 7
January 1955 ..	151·7	126·5	116.2	131·6	90.6	128.5	116 0	104·6	287.6	175.4	145.8	270.0	143 2	2 230.3
February ,, ..	159·2	129·1	119.2	134·0	97.8	146.6	127·0	88·8	307.3	173.2	160.2	263 2	139.3	2,079.6
March ,, ..	162·9	124·9	116.2	129·2	96.0	134.6	193.3	80·4	290.2	167·1	138·7	281·4	135 6	2,298 2
April ,, ..	166 5	125.3	115·7	130·1	95.6	136.1	583.5	..	287.7	..	..	..	155.9	2,320.3



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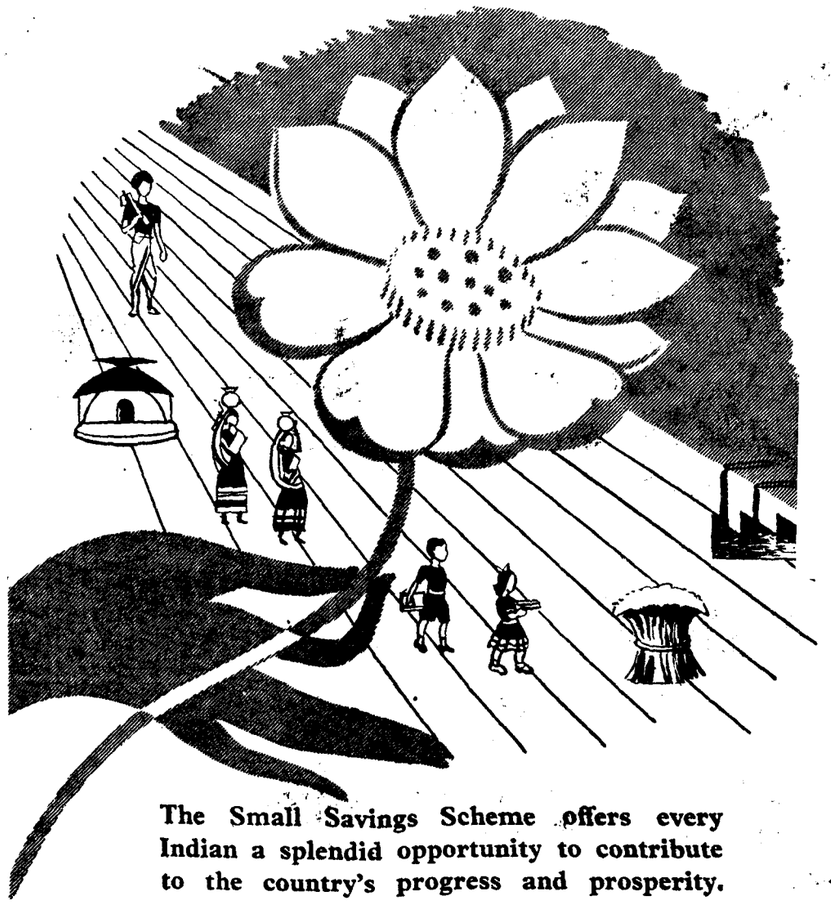
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The Outlook on the Companies Bill

THE general trend of parliamentary opinion on the Companies Bill has been revealed in the debate in the Lok Sabha during the last few days and in the private discussions within the Congress Parliamentary Party. 'There is probably no element of surprise in the opinions so far expressed by various members. It has been well-known for some time that the Companies Bill is coming before Parliament in a political climate which is none too propitious. The managing agency system remains the easy target of criticism, and the fact that it is being condemned by invective rather than on a balance-sheet of its achievements and drawbacks shows the hard core of prejudice; and if prejudices alone could kill the system, the managing agency is already as good as dead.

The question still is what stand the Government proposes to take on the general issues raised on the Companies Bill, particularly after it has

emerged from the hands of the Joint Select Committee. The Prime Minister has, according to press reports, advised against the fixing of any deadline for the termination of the managing agency system and underlined the differences between the theory of abolition of the managing agencies and the actual practice of it through legislation. This counsel of restraint may moderate the more extremist demands but on the large dose of radicalism that has already been injected into this legislation, the effect may tend to be largely neutral.

This, anyhow, is the impression created by the Finance Minister's lengthy speech on the Bill last week. Mr. Deshmukh appropriately pointed out that the subject of Company Law reform had been before Government in one way or another for about nine years and that no charge of haste could be laid against those concerned. But considering the number of major changes in the Bill made recently by the Joint Select Committee, and the number of other issues on which the Finance Minister revealed himself to be not yet committed to definite views, this long period has been unprofitable. If the Bill had been based on the investigations of the Company Law Committee which preceded it, and on the Government's policy laid down clearly on a consideration of the issues arising from its recommendations before the Bill was drafted, the Finance Minister's defence would have been quite sound. It is not indeed accepted parliamentary practice that legislation should be drafted and presented to Parliament before Government firmly decides upon its policy. But that seems to have been the case with the Companies Bill; the interval between the Company Law Committee's Report in 1952 and the presentation of the Bill late in 1953 seems to have been a period of drift in which no firm decisions were taken.

The Finance Minister has now argued that the changes proposed by the Joint Committee cannot be viewed as going beyond the principles of the Bill as originally conceived because what the Joint Select Committee had before it was "the consideration of the entire subject of Company Law reform on the broad pattern outlined in the original Bill". Was this the right course for the Government to take? When one expert committee had examined the issues and a Bill obviously embodying official policy was on the anvil, should the whole issue be again thrown into the melting pot for still different and drastic conclusions to emerge? If a Select Committee of Parliament should, besides its normal function of effectively scrutinising the translation of accepted policy into proper law, be also free to alter the bases of that policy, then something of the American practice of legislation by Congressional Committees is being imported into our system, with all its attendant risks.

It may be wrong to generalise on this one instance. But the Finance Minister in saying that the whole subject of Company Law reform was before the Joint Committee ignores that the subject was already before another Committee specially constituted for the purpose. It was at no time the Government's declared or implied opinion that that Committee's work was perfunctory or unacceptable; and, indeed, there may be many occasions during the passage of the Companies Bill for invoking that Committee's Report also for supporting many provisions. What then prompted Government to throw the whole question open once again at a late stage, if the eight preceding years of consideration did not lead to firm conclusions about the future? It may be that the Finance Ministry did not either have the time or was too reluctant to assume responsibility at that stage for accepting many of the recommendations of the Company Law Committee and for taking a firm stand in implementing them in the face of ideological opposition. At the same time, there might have been difficulty in foreseeing the exact measure of concession needed to meet the wishes of this section. Some amount of indecision might thus have become inevitable; that would not mean that there is now confusion in the minds of those who, following accepted canons of legislative procedure, were entitled to expect some degree of certainty in these matters at least at the stage at which Government decides on legislation.

The Finance Minister's approval of the Joint Committee's approach to the subject of managing agents—as not only pragmatic but also as "the only correct and realistic attitude to take in the present circumstances of this country"—makes vain the hope for substantial modifications on this aspect of the Bill. In the actual administration of these provisions, there are some indications that decisions would be taken on a practical basis, in an atmosphere which is not charged with prejudice in one way or the other. There has been an insistence on prescribing a period of good behaviour for managing agents; the disabilities threatened at the end may, apparently, be warded off partly by good conduct, on the one hand, and partly by the substitution, on the other, of the new kind of managing agency without its teeth—the system of secretaries and treasurers. But, as on the question of the period for nationalisation prescribed in 1948, practical considerations may intervene more effectively than unprecise guarantees of liberal treatment which may be given now.

Similarly, there has been no inclination to accept any compromise on the extent of the powers assumed by the Government under the Bill for administration of the affairs of companies. Power, it has been said, is itself a deterrent and would obviate the necessity of its exercise; but that precisely is the reason why it should be considered harmful because it can destroy flexibility and deter a good many desirable things along with the bad. An element of uncertainty is being introduced in company administration if official approval is made essential at too many stages of operation. The latest proposal of the Finance Minister to make even Clause 197 (in which he has conceded that real difficulty is involved under the existing version) subject to the exercise of wide discretionary powers by the Company Law Administration would so greatly add to the scope of State control that the working of companies can become a very speculative business.

The criticism of the Bill by company managements has not been adequately met but the Finance Minister has been quite as helpless as Indian business men in making the political majority listen to moderation. The Finance Minister's position is perhaps of his own making; at an earlier stage he might have wrested the initiative and held it effectively to steer clear of impractical demands from either side.

Atoms for Peace

DURING the past twelve days, more than 1,200 delegates from 72 nations, comprising a galaxy of scientists from both the East and the West, have been brought together for the first time. This conference, held in Geneva, is of a new type and very different from normal conferences because, in the words of our Prime Minister, "it leads us to the threshold of the atomic age". Civilisation is confronted with a grave challenge demanding an adjustment of the relationship between nations to ensure that unprecedented and unpredictable horrors can be eliminated and all people in common can strive for the fulfilment of the promises offered by modern science for the promotion of human welfare. The conference is the result of a unanimous decision made by the U.N. General Assembly on December 4, 1954, that "the benefits arising from the momentous discovery of atomic energy should be placed at the service of mankind", and that the Assembly should "promote energetically the use of atomic energy to the end that it will serve only the peaceful pursuits of mankind". The resolution concerned further authorised the Assembly to convene an international technical conference to study the development of atomic power and consider other technical areas—such as biology, medicine, radiation, protection and fundamental science—in which international co-operation might most effectively be accomplished.

This resolution has since proved a turning point in the development of atomic research, for, there has been remarkable progress in the "atom-for-peace" field, and governments and industrialists have, especially in the big technically advanced countries, embarked on vigorous development programmes. Considering the fact that the U.N. conference in 1949 on conservation and utilisation of resources was boycotted by Russia, the active participation by that country in the present conference is indicative of the significant improvement in East-West relations in the recent past, brought about by the emergence of the atomic and hydrogen bombs. Atomic energy is no longer shrouded in military secrecy. People everywhere have begun to evince keenest interest in the possibilities of utilising atomic power as a means of increasing production and raising the level of living. For underdeveloped countries such as India, the Geneva conference is of added importance in that it is the first major step in their march to obtain widespread applications of atoms-for-peace. It is they who need most the energy which can change barren and desert lands to fruitful areas and enable them to raise living standards.

From the purely destructive quality of the A-Bomb, advanced nations have been making sustained efforts to harness the energy for constructive purposes by means of the fission reactor so as to yield almost unlimited power and peace-time products. Simultaneously, success has been achieved in exploding the Hydrogen Bomb, and efforts are being directed towards the mastering and controlling of thermonuclear, or fusion, reactions for humanity's benefit. This reflects the growing realisation on the part of the Great Powers that none of them can seek security by military supremacy alone and that each must demonstrate its constructive intentions and capabilities with comparable emphasis. The fact that industrial uses of the atomic power are immense has been demonstrated by the international atomic "trade fair", which is being held concurrently with the Geneva conference. The exhibition, in which many Government agencies and private manufacturers participate, has demonstrated the use of isotopes in testing steel, curing disease and analysing food, and revealed the extent to which atomic energy is already being used in the manufacture of precision instruments and cigarettes, in heating, power plant and electrical engineering. Actually, a race for future atomic markets of the world has started, and at least Britain and the U.S., who have been assiduously showing off their atomic wares, are planning for the coming competition to sell the world their atomic power plants, instruments and components. These activities stem from the realisation on the part of the great industrial countries of the political importance of being the first among the nations to build practical atomic power plants capable of being assembled in components and shipped overseas.

Fears of a fuel famine in the not-too-distant future and the yet undetermined dangers of atomic radiation are two of the vital issues with which the experts at Geneva have been confronted. The anticipated world shortage of fuel and power supply by the end of the present century makes the development of mass-scale nuclear energy no longer a distant dream but a dire necessity. There is widespread concern about the effects of atomic radiation on human health and safety, and the conference will have achieved one prime purpose if it sets up the proper machinery for the systematic gathering and international dissemination of all information on this matter. The need for pooling of atomic knowledge by every nation for the common benefit of all is imperative. It was precisely with this object in view that President Eisenhower, in December 1953, proposed the setting up of an International Atomic Energy Agency. The present conference, however, is practically confined to the presentation of scientific papers by the invited governments and the specialised agencies of the U.N., and avoids the political aspects of the problem. And yet it is obviously vital to bring about democratic control over the production and use of nuclear power so as to ensure the prevention of any misuse of this great source of energy. So every nation, however small and backward, must be ensured free access to fissionable materials for peaceful purposes. This is possible only if an international agency, in which all members of the U.N. and its specialised agencies will have equal voice in the determination of policies, is established without further delay.

Mr. C. Rajagopalachari is right in warning that mere exchange of atomic information might be misused and cause grave threats to peace. It has been pointed out that the production processes of nuclear fuel for peaceful or for destructive purposes are identical and inseparable up to a very advanced phase of manufacture. Thus, materials may be diverted from non-war to war purposes at a late stage in processing. Without continuous and really effective inspection, under an international control agency, it is likely that, under the guise of shipping "peaceful" atomic power plants and equipments from one country to another, a new and more destructive form of gun-running than has been witnessed ever before may come to operate.

In the Valley of Decision

[*Introducing a new feature devoted to men and matters in the Capital—Ed.*].

THE PRIVATE LIFE OF THE PUBLIC SECTOR

QUITE a flutter has been caused lately by the publication in a Delhi daily of a very disparaging account of the Government's venture into the machine tool industry which shows up the public sector in unfavourable light. This criticism was inspired by no Indian apologist of the private sector. It was the work of a British machine tool expert, Mr. J. D. Scaife, who was attached to the Engineering Capacity Survey Committee. This forthright and unpalatable criticism was presumably one of the reasons why the Committee's Report submitted as early as October, 1954, has so long remained in the dark recesses of official shelves, and was gently placed before the Central Advisory Council of Industries at its session last month. Even now official opinion tends to view the expert's remarks as highly unbalanced, and to regard anyone quoting his report as somewhat malicious. By laying such flattering unction to their souls, the men in charge of the public sector can, it seems, withstand and wipe out all that is said against the working of State enterprises.

But what is intriguing is the easy assumption which is common in the Capital, that the public sector can as a matter of right expect the maximum allowance being made for its shortcomings and to be judged by its good intentions rather than by its good performance, while no such tolerance is practised or considered necessary towards the private sector. Whether it is the Companies Bill or the schemes under the second Five-Year Plan, the tendency has been (with notable exceptions) to minimise and to decry the record of achievement of private industry by invective and generalisations. One company's misdemeanour is held forth as proof enough to indict all company managements; and on what has been achieved by way of investment, production or expansion in the private sector the motto is "silence".

In such an unequal contest, there seems to be no need to pull one's punches when the public sector is thus delicately involved as in the machine tool mess. There is no need to be unfair or to withhold credit where it may be due—as in Sindri, Chittaranjan or the Shipyard—but it is only fair and honest to realise that the Machine Tool enterprise is not one among them. Mr. Scaife was, perhaps, rather hyperbolical when he said that Jalahalli and Ambernath were, like the British African Groundnuts Scheme, "founded on fantasy and wishful thinking" and that they have "provided a wide open drain down which has been poured crores of public funds". But it is difficult to see how a similar conclusion can be resisted unless one approaches the subject with the generous instincts of the zealous lover of the public sector who can afford to turn a blind eye to all its faults. Mr. Scaife may be unrealistic when he propounds the generalisation that a "prosperous machine tool industry cannot be created synthetically but must grow naturally, along with the general industrial development of the country concerned". The object of Indian development planning is to telescope the growth, not merely to re-enact the experience of the developed countries and some unorthodox methods would be permissible here. But on the whole, his assessment is not unsound.

"One-fifth of the Government's outlay at Ambernath and Jalahalli would have produced" declared Mr. Scaife, "five times the effective result if it had been carefully invested in the private sector". This is not mere wishful thinking. The Machine Tool Manufacturers' Association had in the past made representations for help from the Government by way of returnable loans for developing new designs which were refused on grounds of financial stringency even though the loan would hardly have amounted to Rs. 25 lakhs. The Panel estimated the idle capacity in the private sector of the machine tool industry to have been 60 per cent. A danger is now feared even for this 40 per cent working of private capacity because Government, which is the biggest customer for machine tools, may in future meet its demands from its Jalahalli factory, if only to make the best of a bad bargain.

But that is not all. The Panel, which included the private machine tool manufacturers and representatives of the Government factory, could find in 1953 (four years after the Government's agreement with the Swiss firm) no figures at all "to arrive at even an approximate assessment of the country's requirements of different types of machine tools. The private units (consisting of 15 graded and a large number of ungraded manufacturers) were naturally helpless; the new market in machine tools has to be found only through the replacement of imports and no details of the types of demand for the imported products are available. Thus Government seems to have entered the field of machine tool manufacture on the apriori assumption that it is a great good in itself. On the other hand, the existing machine tool units had grown up in response to demands, especially during the war. While their capital investment—estimated at Rs. 1.25 crores on machine tool production alone—is nearly equal to the value of their output at full capacity, the outlay on the Hindustan Machine Tool Factory so far, of about Rs. 3 crores, has not yet shown results. When its full production of lathes (8½" type) is attained, the total outlay would have more than doubled for an output valued at less than Rs. 1.5 crores, giving a very high ratio of investment to value of the product.

That roughly is the business aspect of this adventure which is not quite edifying. The Hindustan Machine Tool Factory may not have to be scrapped as a failure because it will have public funds to prop it up as a strategic industry until it can pay its way. A search for foreign markets for a part of the 400 lathes, when they are produced, has already begun. The plant is still under construction at Jalahalli, but apparently as a concession to public impatience, it has begun assembling parts imported from Switzerland manufactured by Oerlikons and this process may continue indefinitely because the training of Indian technicians at the present pace may take a considerable time. There is perhaps nothing seriously wrong in these arrangements but it is a point which those who have sneered in the past at private industry for example, at the slowness of the Indian motor manufacturers to increase the percentage of indigenous parts—would do well to note and remember.

Some day, the Government machine tool unit may 'break even'; also some day, it may cease to thrive at the expense of the tool makers already in the field, when the Indian economy grows big enough to absorb the products of both sectors and to demand still more. It is that liberal distance view through a telescope that the public sector demands for itself before it is judged on a business, which to all appearances now is a misadventure. But it is possible to question the order of priorities which decreed this enterprise at this stage, before the economy was ripe with a market or with the personnel. There is no need to shy at failures, which indeed are the stepping stones to success. Like the experiment with the Housing Factory—which today stands among Delhi's many old monuments—this would induce more cautious planning in the future. But the lesson will not be learnt if there is a tendency to dismiss all criticism as unworthy.

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THE WEEK'S NOTES

THE POLITICAL ALLIANCE IN PAKISTAN

THE SUDDEN shift in the political alliance in Pakistan, which has left Mr. Suhrawardy in the wilderness, is still unexplained. The Muslim League, it is said, went back on its assurances to the Awami League, presumably on the question of accepting Mr. Suhrawardy as Prime Minister. Mr. Fazlul Huq has been adroit in exploiting the situation to his own advantage and at the moment he has only to fear the possibility of opinion in East Bengal supporting Mr. Suhrawardy's view that an established political convention has been broken. All argument now centres on the question whether Mr. Iskander Mirza belongs to East Bengal or not but this exercise in geneology may prove irrelevant if Mr. Suhrawardy can establish that not origin but popular backing, should decide the question. This controversy, and the Awami League's changed attitude to the one-unit plan, may reduce the chances of a broad-based national government being formed with the participation of the Awami League as desired by the new Prime Minister in his message on his assumption of office. But the present Ministry may be able to function effectively in spite of this opposition if Mr. Fazlul Huq plays the game.

The advantage of Mr. Fazlul Huq's co-operation lies not only in his larger following but also in the fact that the Government of East Pakistan is his own creation and full co-operation between the two wings would be assured. But considering the dramatic change in the political situation which falsified prophets, it would be rash to assume permanence for the present arrangements. Chaudhry Mohammed Ali's leadership will satisfy Punjab and may prove less irritating to the other ambitious aspirants for Muslim League leadership than that of any other person. There is also growing emphasis on the economic betterment of Pakistan—of which the devaluation of the rupee was the chief example—on which the ex-Finance Minister may be able to take a practical view. If Punjab and East Bengal are satisfied by the present set-up, there may be stability despite some discontents in Sind and the Frontier Province.

PACIFYING THE SOUTH

SOME RECENT happenings have drawn attention to India's problem of the South, which like that of the United States may long continue to be spoken of as such. The foremost issue in this problem is the question of language, on which there has been some resentment in the South, especially over the desire of the Hindi enthusiasts to force the pace of its adoption by making it the langauge of the examinations of the all-India services. India's leaders have acted wisely in giving the largest degree of latitude in the matter of adoption of Hindi as official language. It is now the declared policy that examinees for all-India services can choose to use Hindi, English or any of the recognised regional languages. Those who choose Hindi have to pass in English also later on, just as those with English medium have to pass in Hindi. Candidates answering in the regional languages have to take an examination in English and, later, another in Hindi, as soon as possible.

The President reiterated this policy last week at the opening of the Hindi Exhibition in New Delhi and his speech reflected in full measure the realisation of the strength of the sentiment behind the regional languages. It remains to be seem whether the States Reorganisation Commission would also come to similar conclusion, but even linguistic provinces may seem less important in the southern areas than the likelihood of disabilities being imposed through the adoption of Hindi. It may be that many of these fears are not well-founded but apprehensions have to be allayed and another gesture in this direction is the establishment of a Rashtrapathi Nilayam at Bolarum in Hyderabad State and the decision of the President to spend about eight weeks in the South every year, and celebrate Independence Day in a southern city. The second Five-Year Plan may have to reinforce these gestures by making provision for balanced development of all regions.

The President chose to be as modest as possible about the claims made on behalf of Hindi. He said that Hindi was unanimously adopted as the language to replace English "not because it was the most advanced of the languages of India but because it was the most common and most widely understood of them." The use of Hindi, he declared, will be confined to certain well-defined spheres of activity, leaving the other languages to have full sway in their respective regions. The emphasis, he added, was on learning Hindi rather than on the time factor involved. "Sheer practical necessities have driven us to have an all-India language." Maulana Azad spoke to the same effect on this occasion. The leaders have thus disarmed the critics of Hindi. The champions of Hindi are probably disappointed but they have to thank only their own ignorance of the power of language for their belief that legislation can succeed in making Hindi not only the official langauage of the Union but the "national" language as well and that such a consummation, even if practicable, was desirable for the country.

NEW CABINET IN INDONESIA

INDONESIA HAS now found a new Cabinet and the long domination of the Nationalist-Communist coalition has at last been terminated. Dr. Hatta, the Vice-President, has taken a leading part in the formation of the new government and it is significant that all this happened during the absence of President Soekarno. So long as the Nationalists remained in power with the support of the Communist groups, their policies were bedevilled by the extremist outlook of the latter and frequent crises became inevitable. The Masjumi party and the Socialists have always felt nearer to each other but they have not been able to maintain a coalition in power long enough, because of a large number of smaller political groups which tilted the balance. Even the present coalition comprises as many as twelve groups and is for that reason unwieldy and unstable. The only solution all along was to hold general elections but the government has lacked the capacity for organising elections quickly besides being uncertain about the result.

It has been the view of some observers that the elections will return the Masjumi and Socialists with a sufficient majority. Governments dominated by the Nationalists have, therefore, been slow to think of elections and even President Soekarno once said that the West Irian issue should be solved before elections. Critics of the government even criticised the Bandung Conference as the Nationalists' bid to win popular support at home before they faced elections. The decision of the new government to hasten the elections and hold them at the end of next month is right one in the circumstances. It must, however, remain a matter for regret that the issues had to be forced by the stiff attitude of army officers. It is a dangerous precedent to establish, however justified their case might have been. The taste of political influence can sharpen the

desire to exercise it oftener. Only a decisive electoral verdict can now set right the political balance.

Shorter Notes

Controversy Over the NNSC

FOLLOWING the assurances of protection given to the Neutral Nations Supervisory Commission by the U.N. Command, and disapproval by the U.S. of the line of action adopted by him, Dr. Syngman Rhee has at last counselled his followers to exercise patience in their attempt to expel the NNSC from South Korea. It may be that the Polish and Czech members on the Commission could not be perfectly neutral in the sense that the other two members of the Commission have been. The Swedish and the Swiss have all along exhibited a keen sense of discharging their delicate duty in accordance with their terms of reference, but because there is no fifth member to give the casting vote, the difficulties have been aggravated. Recognizing these difficulties, the U.S. is now of the opinion that the terms of reference of the Commission can stand some modifications.

This, however, does not reduce the irresponsibility of Dr. Rhee in arousing anti-Commission feelings in South Korea which has resulted in violent demonstrations, particularly at a time when the Geneva negotiations had entered a crucial phase and all the major Powers seemed to be trying to ease tensions in the international situation. It is, however, very unlikely that South Korea will be able to take any step of grave consequence in the absence of any support from the U.S. The present attitude of Dr. Rhee may only suggest that politically he is losing ground.

Buganda Agreement

WITH the unanimous acceptance by the Buganda Lukiko of the new Constitution, the future development of Uganda as a united whole has been safeguarded. This opens the way for the Kabaka, Mutesa II, in exile since 1953, to return home as a constitutional monarch, instead of as a feudal ruler, six weeks after the new constitutional arrangements have been brought into effect. The agreement is the outcome of patient statesmanship, and the restraint and wisdom shown by the Kabaka himself in the face of the great wrong done to him by Mr. Lyttelton's high-handed action in deposing him summarily.

The fears of the Baganda that, with the development of democratic government in Uganda, they would be politically submerged by the far more numerous Ugandans, who are not Baganda, have been somewhat allayed, thus averting the threat of separatism that faced the existence of Uganda. The British Government has promised that Uganda will not be included in any East African Federation, unless its people so desire, and that it is to be a self-governing "primarily African" State, unlike the multi-racial governments in Kenya and Tanganyika. These two undertakings have won the confidence of the Baganda, which has made all else possible. Buganda is to have a ministerial form of government with considerably increased powers and it is to be adequately represented in the reformed and more democratic Uganda Legislative Council.

Inside 'Azad Kashmir'

IN an appeal, signed by four influential 'Azad Kashmir' leaders and circulated among the members of the new Pakistan Constituent Assembly, the "tale of woe" in 'Azad Kashmir' has been brought into bold relief. The appeal speaks of the worst form of political and economic persecution and the gruesome happenings there. It is alleged that, while local talent is available, the administration is under the totalitarian control of the Pakistan Ministry of Kashmir Affairs, which has made it corrupt and unpopular. Very little has been done towards settling, even on a temporary basis, the refugees that may still be left there and whatever may have been done appears to be not free from political partiality.

Kashmiris have always exhibited a high degree of political awakening and have relentlessly fought against heavy odds for the assertion of their rights. It may be that the people in 'Azad Kashmir' can remain suppressed for some time. But the prosperity and freedom enjoyed by their brethern across the border will be a constant reminder to them that they continue to labour under the burden of an inefficient administration. It is very probable that if people in the Pakistan-held portions of Kashmir are given an opportunity to express themselves on the accession issue, the result would not be what most political analysts readily assume on the subject of Kashmir's future.

Trouble in Patna

IT is unfortunate that student-police clashes have become frequent occurrences in this country. It is still worse that the latest of these, which started in Patna on August 12, could not be localized and has been allowed to spread to other towns, involving loss of life among the public. The air is thick with accusations and counter-accusations and no verdict can be passed until the inquiry commission, now promised, makes its findings public. Meanwhile, doubts arise as to why such incidents are permitted to happen. It is true that in the student community there is often a tendency to indulge in rowdyism at the slightest provocation. But this fact should have caused the authorities to ponder on methods of dealing with the students who can always be impetuous and volatile. However, the findings of similar inquiry commissions for Gwalior, Chuikhadan and Indore firings in the past tend to create the impression that the police cannot totally escape blame for being trigger-happy. It looks as if the use of measures other than firing, such as tear-gas, are either not tried or are singularly ineffective in this country.

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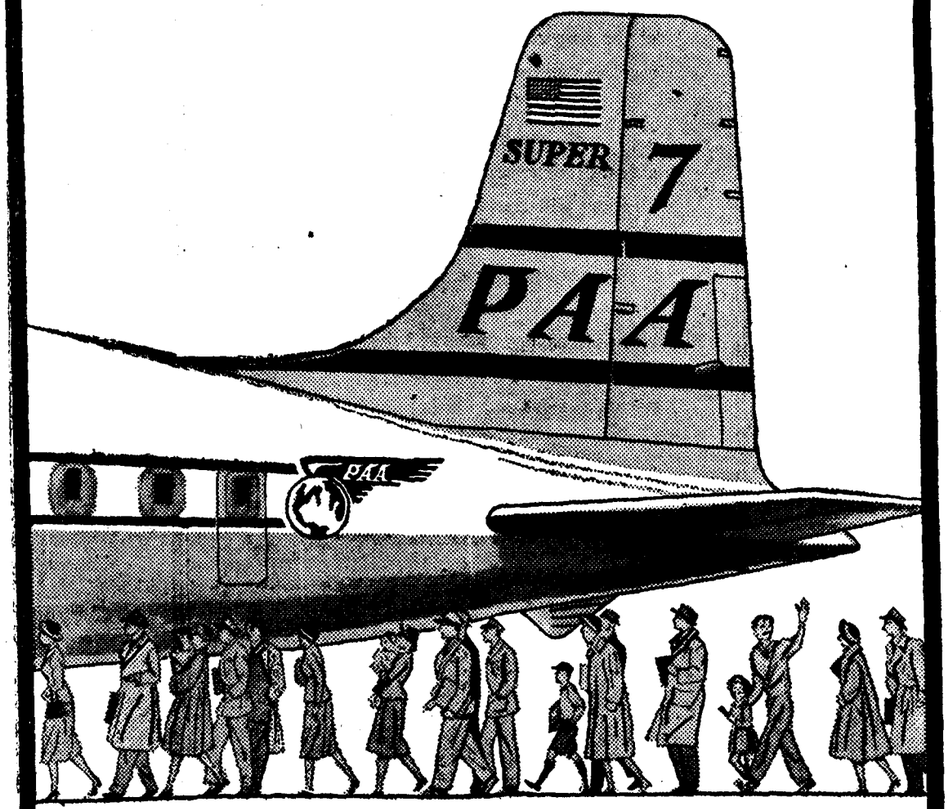
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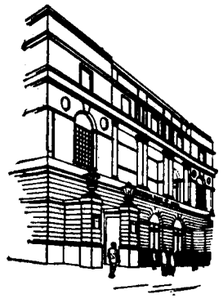
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A Letter to the Editor

ECONOMICS OF TOURISM

Sir,

When the Government of India as well as authoritative papers like yours extol tourism, it is presumptuous on my part to doubt its wisdom; still will you or any of our valued readers be kind enough to clear the doubts of laymen like myself?—I am sure that there must be many more people that share my scepticism.

Does tourism really pay us? I do not mean to say that it does not pay countries like England and Switzerland; but about India, I am not sure. It is true that on the credit side we have a good amount of foreign exchange earned but what about the debit side? (I am not concerned here with the indirect advantages like understanding between the countries growing etc., but only with its economics). In the first place, unlike England and Switzerland, almost all the goods on which the outsiders spend in this country are imported goods, and that too from the hard currency countries so that most of what we earn on the one hand we have to spend on importing goods for their consumption here—I mean wines, butter, cheese, etc. Secondly, worse than that, some of the things on which they spend are goods 'subsidised' by the Government of India, for example, air travel and air-conditioned rail travel. Again, what about the cost of special roads constructed and the special 'tourist class rest houses' we maintain at a tremendous loss of upkeep? All this might mean that we earn the foreign exchange at a very great cost, at a devalued rate of the rupee. Is it worth while? Are we so badly in need of this foreign exchange? Can we not, for instance, gain the same amount by restricting imports of luxury goods, or better still by restricting the pleasure trips abroad of Indian nationals, especially to hard currency areas? As an example, according to the Deputy Transport Minister (as reported in a newspaper) India earned Rs. 2.5 crores of foreign exchange through tourists, in 1952, while during the same year Indian tourists spent Rs. 10.72 crores abroad.

As I said above, it is only to clear my doubts that I raise this point but not to raise any controversy. Will you kindly go into the question (as you have all the statistics, etc., with you) and give an authoritative answer of the net value of economic gain, taking the credit and debit sides?

Yours faithfully,
K. V. RAO,

Head of Economics Department
S. C. College,
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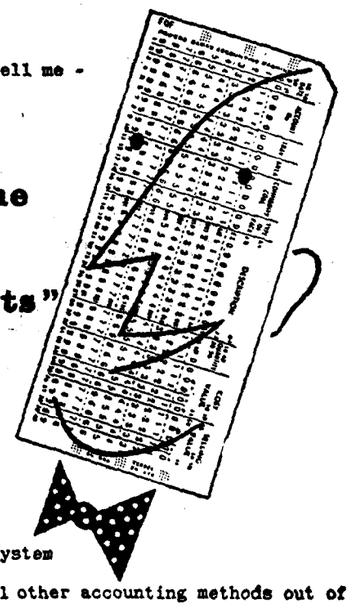
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A DELHI DIARY

GLOOM, OUTSIDE AND INSIDE

INDEPENDENCE Day was heavily clouded, both literally and metaphorically. It opened with sunshine but by noon heavy black clouds had gathered, and this became the most gloomy Independence Day that I remember. By the time 6 p.m. arrived, and the hour for the Vice-President's 'At Home' at Rashtrapati Bhavan, the problem of transport up to the alighting steps had become grave for owner drivers. With the advent of the socialistic pattern of society, this one-time select class has been augmented quite considerably. There was a scuttling of personal cars and numerous acquaintances of mine found refuge in old models and some new ones which had the privilege and convenience of a driver. My old transport, I am proud to say, arrived safe through many impediments including a foot of water in Dalhousie Road. It rendered great public service. But escape from torrents of rain did not imply that there was no damping of spirits. Inside Rashtrapati Bhavan, the atmosphere of gloom continued to deepen.

I wonder whether this was what people call telepathy. There was, somehow or another, a sense of something impending, and before we left Rashtrapati Bhavan there was enough to confirm our worst forebodings. The news then was that ten satyagrahis had been killed on the Goa border. By the next morning the figure had mounted to thirty so far as the (leading!) newspapers were concerned although Government asserted the figure was only half that number. They used to say that where there were six economists there were seven opinions, Mr. Keynes having two. On Tuesday, from six sources of statistics on deaths I got seven figures, the Government of India having two. There was only one silver lining to these statistics. On one sublime event, the statistics chose to fail. This was a most welcome drop; for, it contained news that Mrs. Subhadrabai Sagar, who was believed to have been shot at Banda, was alive in Vengurla hospital and making a good recovery.

The fact that Mrs. Subhadrabai is alive has done nothing to dim the story of her bravery. The Prime Minister who was then unaware of her good fortune spoke of her extraordinary courage of which he said: "It was something which should fill anyone even though he may not be an Indian with pride. More so for those who are Indians". The story of how this brave woman clung to the Indian Flag under fire is a story of heroism as great as any in the illuminated pages of the Indian nationalist movement.

WHAT NEXT?

While glory is being written into our histories, personal and impersonal, there are less happy questions which need to be faced. The question was asked throughout Monday and Tuesday how the present stalemate on Goa was to be broken. Both the Prime Minister and the Home Minister (who spoke in like terms to the Prime Minister in the Rajya Sabha) seemed to imply that there was some automatic force at work inside Goa and perhaps in Portugal itself which would bring about the downfall of the Portuguese Colonial Rule. I do not think that they suggested that world public opinion was this force and that it could work on the Goa Government in a very short time. If so, it is fair to say that this optimism is not shared. There is no doubt that criticism has tended to mount against the Government's present policy on Goa. I myself do not see how any other policy can be put into force without destroying, perhaps, in one brief week the reputation for restraint and an ardent desire for peace which it has taken us eight years to build up. It is obvious to me that the Prime Minister's policy, so far as holding the armed forces entirely outside the battle, is patently right. It is not merely patently right, but it is by the very opposition that it has raised, supremely courageous. The Prime Minister is at his best when he is standing up to what might be called a popular current. There is no doubt that the popular current desires the exercise of force meaning, bluntly, the use of the Indian Army. It is good that the Prime Minister, the outstanding hero of the Indian Union, is at this moment restraining, and not leading popular sentiment which on every other issue he abundantly reflects. He can, it seems, still bid the waters of the ocean stop, even if he cannot turn them back.

A SOUTHERN CAPITAL

The news that the President had entered into residence in India's Southern Capital spread slowly in New Delhi. It would not, perhaps, have recorded at all but for the fact that the Vice-President was host on Independence Day. I cannot say that I am happy about the choice of Hyderabad for a South Indian Capital, nor has it given satisfaction to the many passionate Southerners among whom I circulate. The truth is that Hyderabad, if anything, is a citadel of the North set in the South. It is traditionally Urdu and Muslim in a Telugu and Hindu area. With the hard memories which it connotes, how can it look like a concession to Southern nationalism? Residence for two months in Hyderabad cannot (alas!) make the people of the non-Hindi South really feel that the President of the Indian Union had entered into their lives. I suggest Bangalore for climate and Hospet or Vijaynagar for glory!

STRIP-TEASE IN DELHI?

It would appear that alongside the sublime concern on the Goa situation, the Government of India has been unduly distracted this week by a somewhat ridiculous threat of strip-tease. Third division clerks are employing a novel form of peaceful satyagraha to draw attention to their unhappy condition. They propose to enter on their duties with clothing to be progressively reduced as satyagraha develops. On Tuesday about two hundred and fifty clerks attended office in vests and pants. Seeing that they had already come down to this somewhat inadequate level, one dreads to contemplate the effect of further abridgment of attire.

The Home Ministry has taken a very grim view of these somewhat comic proceedings. It has called for figures of these unfortunate persons and is even taking a severe view of slogans raised by clerks when they took out a procession last Saturday. The Home Ministry now entertains the doctrine that the third division clerks are custodians of the dignity of India's civil service. Seeing that they are paid in some respects less than Chaprasis, one wonders whether this dignity has not been destroyed largely by the Government itself. But, in any case, there is something grotesque in Government's fierceness with its own employees whilst it continues to lavish encouragement on the labour movement designed to bring just this kind of pressure on employers. If the demands for a living wage must be conceded in a Welfare State whatever happens, surely, the third division clerks' case is one which cannot be evaded. They really are in a most miserable plight. There is widespread feeling in Delhi that what is sauce for the goose should be sauce for the gander. The public sector should not be allowed to get away with its usual clever act 'Heads I Win, Tails You Lose'. If the Government cannot pay the price of the Welfare State, it should not occupy the pulpit so often!

ARGUS.

Economic Report from the U. S.

COTTON FOR EXPORT

(By Guy Sims Fitch)

WASHINGTON, Aug. 15.—The U.S. Government has reaffirmed basic stockpiling policies in the announcement that it will continue to price its surplus cotton for export at the same level as domestic sales prices. This decision took more than the usual amounts of courage and foresight. Government holdings have risen to about 8.2 million bales in just the past few years. With the government-supported U.S. price well above world prices, U.S. exports have shrunk to 3.5 million bales, compared with a much larger volume in past years. And American cotton growers depend on export markets for a substantial part—more than 25 per cent—of their output. This problem might have arisen sooner had it not been for World War II and the immediate post-war period, when foreign demand for American cotton was exceptionally high. Since the war, however, cotton production in other countries has doubled, and is now at the highest level on record and still going up. Thirty years ago, the U.S. supplied 50 per cent of the world's cotton; today it supplies less than 30 per cent.

One way of handling this troublesome situation is by reducing output at home. This has been tried, with the government sharply restricting acreages sown. This year, little more than 17 million acres were planted under cotton, the smallest area on record and nearly 3 million acres fewer than last year and 8 million fewer than the year before that. As a result of this action, it has been thought that the 1955 cotton crop output would be below normal requirements, thus reducing the carry-over—now estimated at 11 million bales, including private holdings. Good weather and more efficient farming methods, however, have combined to increase the official production forecast, now placed at 12.7 million bales. Domestic consumption and exports last season totalled 12.4 million bales. If these do not rise this season, there may well be another slight increase in surplus holdings.

It is little wonder, therefore, that the government has been under pressure from cotton growers and some members of Congress from cotton-producing states to sell off much of its surplus cotton, at competitive world prices if need be, but government officials are aware of the fact that other friendly countries also have supplies on their own for sale. Any U.S. action, therefore, will have to be undertaken in accord with longtime government policy of not disrupting normal marketing channels.

With these facts in mind, the U.S. Department of Agriculture has reserved the right to offer for export sale up to a million bales of short-staple stocks on a competitive bid basis after the first of next year. These offerings are entirely discretionary; they may or may not be forthcoming. And sales, if made, may or may not be consummated at prices below domestic levels. Obviously, a lot will depend on developments between now and next year. By that time, the major part of the 1955 crop will have been harvested, and trends in U.S. production, consumption and exports will have been more firmly established. Significantly, the Agriculture Department's announcement stresses that such sales as are arranged will be made only at times and in quantities that will avoid material interference with regular marketings here and abroad. The Department believes its plan may help to clarify the cotton situation, on the theory that the very existence of huge U.S. stocks as a residual supply has been a highly disturbing factor in the cotton world. There is the further fact that world supplies of low-grade short-staple types are heavy; the additional quantities the U.S. may offer for sale are likely to have little over-all effect on international markets.

If competitive sales of low-grade stocks are made, the Government will face another problem. Textile mills and other industrial consumers in the U.S. may urge the imposition of import quotas, on the ground that foreign competitors then will be able to get American cotton at prices lower than American manufacturers will have to pay on the domestic market. But Agriculture Department officials are confident that import quotas can be avoided. They point out that foreign textile manufacturers already can get lower priced cotton anywhere in the world, and they do not believe that the moderate broadening of U.S. export plans will make it either necessary or desirable to impose special quotas on the import of cotton textiles.

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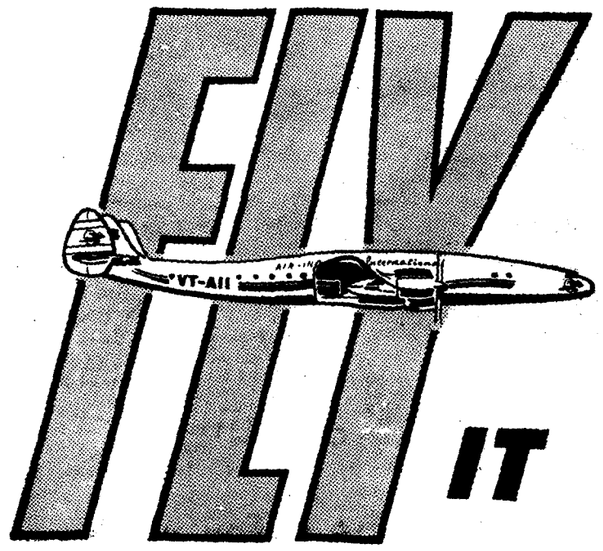
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WORLDGRAM

AGRICULTURE

Forestry Commission: The Government of India is considering the question of setting up a Forestry Commission. When the Commission is set up, its main functions would be: the scrutiny of major working plans and deviations from their prescriptions; the collection, standardisation and timely publication of forestry statistics and intelligence; carrying out market studies; and the pooling and dissemination of technical information derived from States and foreign countries. It may also undertake extension work for popularising forestry.

*

Japanese Method of Rice Cultivation: The Minister for Food and Agriculture, Sri Ajit Prasad Jain has revealed that the total amount spent by the Government of India for the propagation of the Japanese method amounts to Rs. 2,30,141 since the beginning to the end of 1954-55. In 1952-53, the expenditure was Rs. 3,007 and in 1953-54, Rs. 37,500. This whole amount of 40,507 was spent mostly on preparation of publicity material and its distribution. Out of Rs. 1,89,634 spent in 1954-55, Rs. 40,555 were spent on publicity material and its distribution; and the rest was given to State Governments in the shape of subsidy, grants or loans.

*

Rubber Production in Cambodia: Although rubber production was introduced only recently in Cambodia, it has already become of great importance in the agriculture of the country, employing 10,500 workers. It is especially important in the province of Kompong-Cham and Kratie where the soil is particularly suited for the crop. The acreage planted to rubber in 1954 was 26,800 hectares, a substantial increase over the acreage of 11,700 hectares in 1946. Production in 1954 was 24,400 metric tons compared with the pre-war production of 17,000 metric tons.

*

Paraguay's Cotton Crop: Cotton production in Paraguay during the crop year August 1954—July 1955 is currently estimated at approximately 62,000 bales (1 bale=500 pounds gross) or, about the same as the 1953-54 crop. Cotton acreage was increased from 150,000 acres in 1953-54 to 173,000 acres in 1954-55, but unfavourable weather and extensive replanting caused the crop to get a late start, approximately half the new crop had been harvested by the end of April, 1955, but no exports of new cotton crop had been made. Paraguay's cotton consumption averages approximately 15,000 bales per year; the balance of the crop is available for export. Export during the crop year 1953-54 amounted to approximately 57,000 bales, compared with 43,000 bales in 1952-53.

INDUSTRY

Protection to Artificial Silk Industry: The Government of India's Resolution on the Tariff Commission's Report (1955) on the continuance of protection to the Artificial Silk and Cotton and Artificial Silk mixed Fabrics industry has been published. Government have accepted the Tariff Commission's recommendation that the protection to the industry should be continued for a further period of three years, i.e. up to December 31, 1958 and the protective duties on the various types of artificial silk fabrics, including fabrics manufactured from staple fibre yarn and other synthetic yarns should continue to be levied at the existing rates. The Commission has made certain anciallary recommendations for assisting the industry, which have also been accepted by Government.

*

Handloom Cloth in Second Five-Year Plan: The All-India Handloom Board, has approved the draft Five-Year Plan prepared by the Board Secretariat under which a target of 3,000 million yards of handloom cloth is to be achieved at the end of the second Five-Year Plan. The draft Five-Year Plan envisages an expenditure of Rs. 100 crores, about Rs. 60 crores in grants, and Rs. 40 crores in loans. The major items of expenditure are Rs. 21.78 crores for providing working capital to weavers co-operative societies, Rs. 15 crores for rebate, Rs. 11 crores for starting a Thrift Fund for weaver members of co-operative societies and Rs. 19 crores for building weavers housing colonies. The Plan envisages that two-thirds of the total production of 3,000 million yards would come from the co-operative sector.

*

Development Councils for Artificial Silk and Woollen Textiles: Two more Development Councils have been set up for artificial silk and wollen textiles. The Council will recommend targets for production, co-ordinate production programmes and review progress made by the industries from time to time. They will suggest forms of efficiency in order to eliminate waste, obtain maximum production, improve quality and reduce cost. The promotion of arrangements for better marketing and standardisation of products will be among the Council's other functions. They will also promote the adoption of measures for increasing the productivity of labour, including measures for better working conditions and provision and improvement of amenities and incentives for workers.

*

Use of Structural Steel: The Indian Standards Institution has circulated for comments a draft Indian standard code of practice for use of structural steel in general building construction. This draft contains recommendations for good practice in the design of steel buildings, providing for efficient, economic and modern methods of design and fabrication, fulfilling the long felt need for a national standard code for design of steel structures. The code gives guidance on the loadings to be considered and the stresses which are permissible for steel produced in India to Indian standard specifications.

*

Cement Factory at Gresik: The Cement factory project at Gresik in Indonesia is likely to be completed and start production by September 1957. The factory would be capable of turning out an annual production of 250,000 tons or 5 million bags of cement, worth US$7.5 million. After completion the factory will be operated with the assistance of 43 foreign experts. Those foreign experts have concluded a contract binding them for 28 months.

TRADE

Export of Maize: The Government of India have decided to permit the export of 30,000 tons of maize outside India against advance registration of sales, subject to a maximum of 500 tons by each exporter from all ports. Detailed licensing procedure is being notified by the Export Trade Control authorities at the ports.

*

Export Duties on Raw Cotton: In accordance with their policy of keeping export duties under constant review, the Government of India have decided to reduce, with immediate effect, the export duty on certain varieties of raw cotton viz. Bengal Desi, Mathias, Kalagin, Dholleras, C.P. I, C.P. II, Central India Desi, Oomyas, and all other varieties, up to and inclusive of 25|32 inches in staple length, from Rs. 125 to Rs. 50 for bale of 400 lbs.

Adverse Trade in First Half Year: During the half year ended June 1955, the value of India's foreign trade rose to Rs. 6 03,14,00,000 as compared with Rs. 5 20,12,00,000 in the corresponding period of last year, according to official figures available here. In the first half of the year, India's imports amounted to Rs. 3 19,22,90,000 and exports to Rs. 2 83,92,00,000 disclosing an adverse trade balance of Rs. 35,30,00,000. During the period under review India's balance of trade has always been on the deficit side, except for the month of January, when there was a small surplus of about Rs. 2 crores. The following table briefly summarises the position of India's foreign trade:

January	52.72	54.75	+2.03
February	59.14	50.70	—8.44
March	55.36	47.26	—8.10
April	51.23	39.57	—11.66
May	49.51	44.13	—5.38
June	51.26	47.46	—3.80
TOTAL ..	319.22	283.92	—35.30

*

U.S. Curb on Copper Exports: The Department of Commerce has clamped export restrictions on refined copper of foreign and on shipments of domestic copper scrap. The work stoppages continuing for a month, have resulted in a production loss of about 50,000 tons of copper. U.S. foreign trade deals this year will reach a record figure predict statisticians of the National Foreign Trade Council. They expect the total to reach $36,800 million with a strong favourable balance. Exports are estimated to touch $19,500 million and imports $17,300 million. These figures do not include military aid exports. The previous biggest import-export total was $33,800 million achieved in 1951.

FINANCE

Egypt's, 1955-56, State Budget: The new State Budget of Egypt for the 1955-56 financial year, balanced at L.E.315,259,572, is the biggest budget in Egypt's history. Last year's budget amounted to L.E. 303,333,000. It is divided into three parts—the ordinary budget estimated at L.E.238,300,000 and an extraordinary budget which in turn, is sub-divided into a budget for projects to be carried out by the National Production and the Public Services Councils which have been balanced at L.E.54,248,072 and L.E.22,710,600 respectively.

*

World Bank Loan to Guatemala: The World Bank has made a loan of $18.2 million to Guatemala to assist in financing the completion of the new Atlantic and Pacific Highways and in the execution of a programme to improve and maintain existing roads. The Bank of America of San Francisco is participating in the loan without the World Bank's guarantee, to the extent of $576,000 representing the first maturity which falls due February 1, 1959. The new Atlantic Highway will provide an alternative route to the single track railroad which is now the only Connection between Central Guatemala and the Caribbean.

*

Excise Duty Realized on Tobacco: The amount of excise duty realised on tobacco used for the manufacture of biris during 1953-54 and 1954-55 was Rs. 10.30 crores and Rs. 9.25 crores respectively. It is reported manufactures of biris were not licensed as such, but all wholesale dealers in tobacco, whether they manufactured biris or not, were licensed and the amount realised as licence fees from such dealers during the calendar years 1953 and 1954 was Rs. 14.10 lakhs and Rs. 13.47 lakhs respectively.

General Sales-Tax Legislation in T.-C.: The President has assented to the Travancore-Cochin General Sales-Tax (Amendment) Bill, 1955. The object of the Bill is to exempt handloom goods from sales-tax, and to make up the loss incurred by an enhancement in the rates of tax leviable on mill-made cloth. Under this Bill, a single point system of taxation will also be introduced in the case of certain export commodities so as to ensure liquidity of trade and help intermediate dealers in those commodities to carry on business more freely. It is also proposed to amend the earlier Act to provide for the constitution of an independent appellate tribunal which will hear appeals against assessments made by departmental authorities.

MISCELLANEOUS

Training Centre for Mechanised Fishing Craft: India's first training centre to train up personnel for manning mechanised fishing craft, was opened at Satpathi (near Bombay) on August 9. The centre is a joint effort of the Union Government and the States of Bombay and Saurashtra with technical assistance by F.A.O. and T.C.M. and is the first of its kind in South-East Asia. The F.A.O. has deputed an expert to organise the training programme. The centre will train 20 candidates in six months. Ten from each of the States of Bombay, and Saurashtra. It is proposed to open two such centres at Cochin and Tuticorin next year.

*

Extension of Employees' State Insurance Scheme: Another 2.25 lakh factory employees were brought under the Employees' State Insurance Scheme from mid-night of August 13, 1955, when the provisions were extended to Calcutta City and Howrah districts in West Bengal. Sixteen medical offices, 9 in Calcutta 7 in Howrah have been set up for the administration of the Scheme from where the cash benefits will be paid. Medical care will be provided under the Panel System and 542 doctors, 352 in Calcutta and 190 in Howrah, have been taken on the panel. Seventy-three Chemists have been selected in Calcutta and Howrah district for dispensing drugs on the special list. The scheme is already in operation in Delhi, Kanpur, Nagpur, Greater Bombay, Coimbatore, Gwalior, Indore, Ujjain, Ratlam, Hyderabad and Secunderabad covering nearly 7.25 lakh employees.

*

Atomic Research Reactor: Eight American companies have announced a co-operative Plan to build and operate a nuclear reactor for use in industry and medical research. The reactor would cost between $1,500,000 and $2,000,000 and is to be erected near New York city. The project is planned under the U.S. Atomic Energy Commission (AEC) programme for licensing private firms and research organisations to construct and operate nuclear facilities.

*

Indian Railway Electrification Scheme: A contract to assist the electrification scheme of the Indian Railways has been awarded to a British firm. The contract, which involves about £300,000, covers converting plant, switchgear and control gear for the first stage in the mainline electrification of the Eastern Railway of India. The contract covers six sub-stations and three-track section cabins on the main line from Howrah, Calcutta, to Burdwan (a distance of 66 miles) and one track cabin at Kamarkundu, which is on the branch line to Tarakeswar. The converting plant consists of 12 mercury are rectifiers. The contract also covers low-tension switchgear and certain sub-station auxiliaries.

NEWS IN BRIEF

INDIAN

In regard to the area brought under the Japanese method of paddy cultivation, Madras claimed 493 thousand acres, Hyderabad 165, Punjab 93, Bombay 92 and Mysore 90 thousand acres. While Assam had the highest average yield of 70 maunds per acre, Madhya Pradesh was next with 57 maunds, followed by Manipur and Travancore-Cochin with 48 maunds each.

*

The actual birth rate during the decade 1941 to 1950 was estimated to be 39.9 per mille roughly as against a registered birth rate of 27.5 per mille.

*

The production of automobiles in the country during the period January-March 1955 rose to 5,357 from 4,601 in the preceding quarter and 3,785 in the corresponding quarter of 1954.

*

During the first quarter of 1955, the total production of cloth by the mill industry increased by 11 million yards (to 1,262 million yards) as compared with the previous quarter.

*

The Sindri Fertiliser Factory produced 1,54,121 tons of ammonium sulphate during the first six months of 1955. This was 29,496 tons more than the production during the same period last year.

*

India has procured 49 semi-diesel engines from Sweden, costing approximately rupees five lakhs for the mechanisation of fishing craft.

*

The production of sewing machines during the first quarter of 1955 was put at 21,519. This recorded an appreciable increase over the production of 19,152 machines in the previous quarter.

*

According to a report from the Tata Iron and Steel Company Ltd., the total approximate production of iron and steel at the Steel Works at Jamshedpur during the month of July 1955 was: Pig-iron 94,400. Steel ingots 84,300 tons.

*

The total amount realised from export of Indian tea was Rs. 131.28 crores in 1954 as against Rs. 103 crores in 1953 and Rs. 80.9 crores in 1952.

*

The scheme to expand the total production of Sindri by the production of two new fertilisers, urea and ammonium sulphate-nitrate, by using coke oven, gas is now under execution.

*

It is reported a suitable site for the setting up of the Security Paper Mill is being selected with the assistance of Messrs. Pertals, a British firm from whom our currency note paper supplies are obtained.

*

All types of Penicillin required by hospitals, physicians and surgeons and private practitioners in India, will be produced at the State-owned Penicillin Factory at Pimpri, near Poona, it has been decided by the Government of India on the recommendation of a Committee of Experts.

*

It has been decided to release a further quantity of 20,000 tons of groundnut oil cake (expeller variety) for export up to the end of September, 1955. Exports will continue to be licensed freely as hitherto.

*

The Tariff Commission has taken up for investigation the question of continuance of protection to the ball bearings industry beyond December 31, 1955.

FOREIGN

Steel prices in the U.K. have been raised by 5 per cent per ton bringing the British prices for most steel products up to the level established by the Brussels Export Cartel at the beginning of July when it raised its minimum charges.

*

The Ford Motor Company of the U.S. has decided to build a new glass factory, a multi-million dollar project, at Nashville Tenn. The plant will turn out 50,000 tons of car safety glass annually. Construction of the factory will begin this summer and production will start by 1957.

*

It is reported the International Business Machine Corporation (U.S.) is renting its "electric brains" to business men for an hourly fee.

*

Rubber production in Malaya rose to 304,573 tons in the first six months year, an increase of 15.4 per cent, over the output in the corresponding half-year of 1954.

*

The United States 1955 cotton crop is estimated at 11,865,000 bales. Yield per acre is placed at 342 lbs.

*

Atomic energy is now being used in the United States to make radioactive plastic needles that are used in the treatment of cancer. The new needles are made by irradiating ytlrium oxide, one of the rare earth minerals, in an atomic reactor.

*

The Yugoslav Union of Trade Chambers in co-operation with the republican chambers has drawn up an investment Plan for the technical equipment of the market for the period 1956-60. The total investment means would be over 132 million dinars.

*

The provisional estimate for the year 1953-54 released by the Central Statistical Office of Pakistan show the national income of Pakistan as Rs. 19,308 million. The per capita income in 1953-54 was Rs. 245.

*

The Government of Pakistan is constructing seven Agricultural Workshops in various parts of the country started last year. The construction programme is expected to be completed in 1957.

*

Tanganyika Cashew nuts, which formerly were shipped direct to India for processing and marketing, are now to be handled locally. Now Tanganyika is to have her own processing plant capable of handling the bulk of the crop, which has increased from 6,000 tons in 1950 to 16,000 tons in 1954.

*

An all-time high in transportation of passengers across the Atlantic by air was achieved by Pan American in June when 14,760 persons were flown from the United States to Europe. The figure represents a 33 per cent increase over the same period last year.

*

Customs duties collected in Sweden during the fiscal year 1954-55 totalled Kr. 541,000,000, as against Kr. 463,000,000 in the preceding 12 months period.

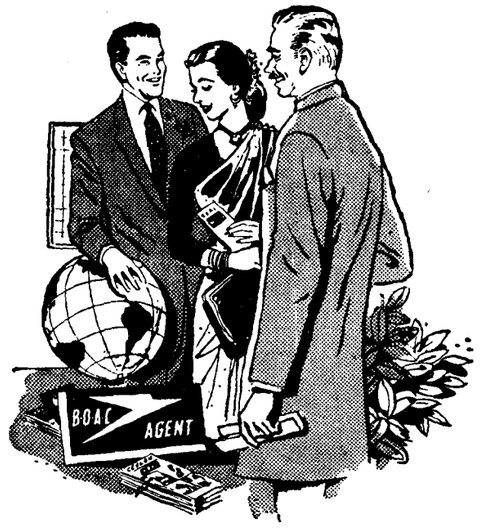
*

Experiments are now in full swing in Britain for the creation of 12 nuclear power stations, the first two of which are to start building in about 18 months. They would be in operation five years hence, and will probably be the first in public service in any country.

*

It is reported farmers in America may soon be able to grow weedless corn and wheat because of the discovery of two new chemical formulas.

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Special Articles

RATE OF GROWTH IN THE PUBLIC SECTOR

THE rapid march of industrial production in this country in the last five years has been associated largely with the performance of the private sector and, if the public sector does not come into the assessment in a significant manner, it is because of its small contribution to the total output as well as because most of the industries in the public sector do not find a place in the official index of industrial production. These factors, however, should not be allowed to underrate the share of the public sector in building the strength and vitality of industry in the economy. It is not adequately realised that the public sector has already started revealing its dynamism and by relative tests the speed at which it is progressing appears very promising.

The spread of enterprises in the public sector covers a restricted range of lines of production including heavy industries manufacturing capital equipment as also key industries producing basic resources and essential goods. In this article five public projects have been selected for analysis as to their pace of expansion primarily because of the availability of comparable data during the period of the present Five-Year Plan. Projects of similar or greater magnitude like machine tools, steel, heavy electrical equipment and the like have to be left out of the present discussion either because they have gone into production only recently or because they are still in the preliminary stages prior to production. The five projects represent a diversity of basic requirements.

Sindri Fertilizers has a substantial part in the transformation of agriculture in the brief period of its career. This giant factory, on a reasonable estimate, has helped to step up the production of food grains by a substantial margin in the short run. It is easy to demonstrate the high ratio of output on the basis of the initial year of production, but even after the factory made some progress, the increase in 1954 over 1952 has been of the order of 60 per cent at 275,500 tons. The target of 320,000 tons fixed for the end of the present plan-period is assured of fulfilment without difficulty. Easily the most remarkable achievement of Sindri is the substantial reduction in the selling price from Rs. 350 per ton to Rs. 275 per ton which places ammonium sulphate within the reach of the average peasant.

The post-war ordeal exposed the vulnerability and insecurity of the railway transport system arising from excessive dependence on imported stock and especially on imported locomotives. The contribution of Chittaranjan Locomotives has not been very significant in easing the problem of rehabilitation, but this factory deserves credit for pushing up its rate of production beyond the expected speed. The hundredth locomotive which steamed out of the factory on January 6, 1954, represented hundred per cent indigenous manufacture as regards its components. A rate of output of 64 locomotives in 1953-54 offers guarantee that the 100-loco-mark is within achievement in the current financial year. It is premature to think in terms of locomotive self-sufficiency for some years and it should be obvious that the ambitious scale on which railway expansion must be planned in the immediate future introduces a factor of delay in this goal of self-sufficiency.

Any assessment of the progress of Hindustan Shipyard must take first cognizance of the fact that the shipyard is passing through the transition of revitalisation. The decline in output in the second year since Hindustan Shipyard took over the enterprise was temporary and it discloses a year of special strain. There was a shortfall in orders for new construction due to the inability of shipping companies to launch their plans of expansion on the terms of purchase loans offered by the Government. Subsequent liberalisation of those terms resulted in assuring the yard of a full order book until 1957. Delays in procurement of imported components and essential materials—engines and boilers not excepted—have put a brake on output. Their recurrence will depend on the world position of shipbuilding and a period of some years must inevitably elapse before the growth of the steel industry and of the ancillary industries at home removes this handicap.

Manufacture of telephone equipment represents a comparatively light industry and here the Indian Telephone Industries shows confident progress in respect of telephones, but the same degree of assurance is not held forth in the case of exchange lines. The output of telephones in 1952-53 surpassed the target of the first Five-Year Plan by 2,000 units and the subsequent raising of the target to 60,000 is well warranted by the tempo of production in 1953-54. The fall in the production of exchange lines after 1951-52 does not indicate sustained deterioration, nevertheless the lost ground has not been retrieved. It is difficult to feel convinced about the optimism in doubling the target of exchange lines for 1955-56 to 40,000 units.

In the financial context, the working results of the four projects for which data have been given in the table in this Article do not all show a phase of prosperity. Sindri stands out as the most successful public venture as a commercial proposition. Its profit of Rs. 47.52 lakhs in 1953-54 exceeds the previous year's figure by Rs. 20 lakhs and it is obtained after making appropriate provision for depreciation, additional allocation for repairs and renewals, and interest on loans from Government, which between them account for Rs. 2.68 crores. The profit of Indian Telephone Industries in 1953-54 shows a decline of Rs. 2.39 lakhs below the preceding year. Hindustan Shipyard represents a typical case of heavy loss of the order of Rs. 7.66 lakhs in 1953-54. In the year before, its magnitude was of the order of Rs. 15.48 lakhs. In the latter year the cost of idle labour was as high as Rs. 16.45 lakhs, but the Directors could heave a sigh at long last that this dead-weight problem was eliminated in 1954-55. Liabilities on account of retrenchment benefits and payment of wages for the strike period in terms of the mediator's award together add up to a little more than the loss of Rs. 7.66 lakhs in 1953-54. Subsidies were deemed necessary to wipe out these deficits.

The financial management of industrial projects in the public sector has been a hardy annual in parliamentary discussions. It need not be disputed that a considerable waste, and in some degree extravagance, have been allowed to be committed from the inception, but it needs to be considered whether criticism has not failed to take adequate notice of teething troubles in a situation where a tradition of experience was lacking. The conclusion can now be reasonably advanced

that by and large a start has been made in imparting a new tone of efficiency to the management of public enterprises in this country of which Sindri, Chittaranjan and Visakhapatnam are representative instances.

Project	Products	Unit	Progress of Production		Paid-up Capital	Profit(+) or Loss(—) (1953-54) (In lakhs)
1. Sindri Fertilizers and Chemicals	Ammonium Sulphate	Tons	1952 .. 172.514 1953 .. 265,704 1954 .. 275,529	Rs. 17	crores	+Rs. 47.52
2. Chittaranjan Locomotives	Locomotives	Nos.	1951-52 .. 17 1952-53 .. 33 1953-54 .. 64	..	..	..
3. Hindustan Shipyard	Ships	GRT	1952-53 .. 15,336 1953-54 .. 10,260	Rs. 3.43	crores	—Rs. 7.66
4. Hindustan Cables	Telephone Cables	Miles	Sep. 54-Mar. 55 104	Rs. 59.30	lakhs	—Rs. 3.12
5. Indian Telephone Industries	(a) Telephones	Nos.	1951-52 .. 21,628 1952-53 .. 27,000 1953-54 .. 40,000	Rs. 4	crores	+Rs. 11.90
	(b) Exchange Lines	Nos.	1951-52 .. 21,000 1952-53 .. 11,000 1953-54 .. 15,000			
	(c) Single channel carriers	Nos.	1953-54 .. 30			

THE FUTURE OF EUROPEAN MONETARY CO-OPERATION

(Contributed)

AS a member of the sterling area India has a direct interest not only in the exchange policy pursued by the U.K., but also in the continuation of European co-operation in the monetary field, from which its own trade has greatly benefited since the U.K. has settled the balances of the whole sterling area with Western Europe through the European Payments Union (EPU). The weakness of sterling in July was caused largely by continental doubts about the future policy of the U.K. and it needed Mr. Butler's strong declaration that the parity of $2.80 to the pound will be maintained "either in existing circumstances or when sterling is convertible" to put an end to the rumours. As he also made clear, the U.K. will not make a move towards convertibility until internal balance is restored and this inevitably will take some time. Nevertheless, the decisions taken by OEEC at the end of last month concerning the prolongation of EPU and arrangements after convertibility are of great importance since they ensure the continuation of European co-operation in the field of payments and fully bear out Mr. Butler's contention that the introduction of a freely fluctuating pound is not contemplated.

The decisions—as always in OEEC unanimously agreed upon—fall in two parts—the prolongation of EPU to June 30, 1956 and the arrangements, embodied in the European Monetary Agreement, which will come in force upon the return to convertibility. The prolongation of EPU caused little difficulty. The main change is that all settlements within the quotas and rallonges will be effected on the basis of 75 per cent gold and 25 per cent credit as from August 1, 1955 instead of the 50|50 ratio, which has been applied since July 1, 1954. This further "hardening" of the conditions is an important step in preparation for the move towards convertibility. It will reduce the financial incentive for discrimination against imports from the dollar area and it reduces the automatic credit facilities, which will cease altogether when convertibility is achieved.

The real problems arose in connection with the so-called "termination" clause and the arrangements for co-operation after the termination of EPU. Under the existing provisions EPU could be terminated at any time by unanimous decision or on any renewal date if on that date countries holding at least 50 per cent of the quotas in EPU were unwilling to continue their membership. Admittedly, since 1953 there was a special provision that a member's obligations should be re-examined if that member adopted convertibility before the renewal date, but this too would have required a unanimous decision. There was general agreement that EPU in its present form could not continue when members holding at least 50 per cent of the quotas introduced convertibility and it was clear that the existing provisions were too restrictive. The new termination clause provides that EPU shall be brought to an end at any time before June 30, 1956, when countries holding at least 50 per cent of the quotas adopt convertibility, provided that the new European Monetary Agreement comes into force at the same time (i.e. that countries responsible for at least 50 per cent of the contributions to the new European Fund indicate their willingness to make their contributions available). These conditions will be fulfilled when the UK, Germany and the Benelux countries adopt convertibility and wish the replacement of EPU by the European Monetary Agreement. There is no doubt that Germany and the Benelux countries will wait for the U.K.'s lead. As it is impossible to foresee when the U.K. will be ready, the conclusion of the European Monetary Agreement does not foreshadow any action in the immediate future. It has been laid down that if the termination clause has not brought to an end EPU by March 31, 1956, there will be a review of the conditions for a further prolongation of EPU after June 30, 1956, and if possible amendments to the Agreement.

The European Monetary Agreement provides for the establishment of a European Fund and of a Multilateral Settlements System, which are complementary to each other. The Fund will provide all members with a potential source of short-term credit (up to two years) in order to withstand temporary overall balance-of-payments difficulties. The Fund thus continues EPU's credit function, but its credits will be non-automatic and subject to examination of the borrower's needs. In contrast with EPU, it will consider the overall balance of the country in question and thus take a world-wide view. The capital of the Fund will be $600 million, of which $272 million will be transferred from the capital of EPU with the consent of the U.S. Government and $328 million will be derived from members' contributions. The Fund will facilitate the Multilateral System; the bilateral claims and debts brought into the settlement will be transformed into a net claim or debt due to or from the Fund and the Fund will carry the first $50 million in the unlikely case of a default by a debtor.

The Multilateral System will facilitate the settlement of transactions between member countries by enabling them to obtain very short-term ("interim") finance and the settlement of their claims on terms laid down in advance. It is designed to facilitate settlements through the exchange markets and between central banks and it is not expected that the amounts brought into it will be large. But its very existence will provide a framework for monetary co-operation in Europe and it will make it easier for the countries remaining inconvertible to maintain their trade liberalisation.

It required long and complex negotiations to arrive at a satisfactory scheme. It was necessary that the scheme should be compatible with different methods of determining exchange rates which may be adopted by individual members and that it should make available interim finance, but not on a scale imposing an undue strain on any member. The first condition implies that membership should be possible for convertible and inconvertible countries as well as making it possible that some countries would adopt wider limits for fluctuations than the narrow margins hitherto laid down. This means that provisions had to be made for regular settlements at known rates of exchange if countries with inconvertible currencies were to be protected from a loss of assets through fluctuations in those convertible currencies for which wider margins had been fixed. It is known that the U.K. originally pressed for a wide latitude in margins, but a change of its policy made general agreement possible in the end. Each member of the System has the obligation to declare margins—valid until further notice—beyond it will not allow the value of its currency to fluctuate. These margins—if wider than 1 per cent on either side —have to be fixed after consultation with the IMF (of which all participating countries with the exception of Switzerland are members) and remain binding until notice is given of their change. It is the intention of all participating countries "that the margins adopted by them will be as moderate and as stable as possible". No figure is stated about the latitude, which this implies. It is, however, generally understood that magins up to 3 per cent would come under this definition; thus "the accepted rule will be a high degree of de facto stability in the rates for all currencies" as Dr. Per Jacobsson points out in 'Skandinaviska Banken Quarterly Review'. One can conclude from Mr. Butler's remarks that the IMF would agree to such a widening of the margins and there can be little doubt that the margin of 1 per cent as laid down in the IMF agreement would be insufficient after convertibility.

In addition to the declaration of margins each country undertakes to make interim finance available and to settle in U.S. dollars its net claims and debts towards all other participating countries in the monthly settlement. Interim finance is limited to 10 per cent of the credit element in a country's EPU quota (for some small countries the proportion is higher) for both lending and drawing; this limitation does not exclude the possibility of discretionary ad hoc arrangements between central banks outside the System.

The monthly settlements will provide for the settlement of all interim finance not been repaid before the end of the month and any balances held by one member in the currency of another which the former decides to bring into the settlement. Settlements will be in U.S. dollars at the lowest (buying) rate announced by the debtor and the highest (selling) rate announced by the creditor. (If a country changes its margins a special settlement will take place at the previous rates; a special settlement would also be called should the U.S. gold price be changed). This will be an incentive to settle through the free markets (particularly for convertible debtors where wider margins have been announced) and the actual amounts settled through the System may be quite small.

Although the provisions of the European Monetary Agreement have been designed to remain in force for an indefinite period, there will be a comprehensive review of the Multilateral System not later than three months before the end of the first year of its operations and of the whole Agreement before the end of the third year. Thus the Multilateral System will remain in force for a minimum of one year and the European Fund for a minimum of three years.

The Fund and the System will be under a single Management Board and as for EPU the Bank for International Settlements will act as agent. The tried methods of European co-operation will thus be continued. To reinforce the machinery of co-operation a special Consultative Committee of high officials will be set up to examine problems arising out of the new system, including the effects of the exchange rate policies of any member particularly if they were likely to be detrimental to the trade of other members. The Code of Liberalisation will remain in force with certain amendments, including special provisions for Europe's "underdeveloped" countries.

At a moment when it is impossible to foresee the date of the coming in force of the new Agreement, it would be unwise to attempt to forecast how it will work in practice though it is clear that the Multilateral System will become superfluous when more and more participating countries adopt convertibility. It can, however, be said even now that the Agreement, which embodies the idea of a "collective" approach to convertibility, first proposed by the Commonwealth early in 1953, is laying a firm foundation for continued economic co-operation within Europe and between Europe and the Commonwealth after the return to convertibility.

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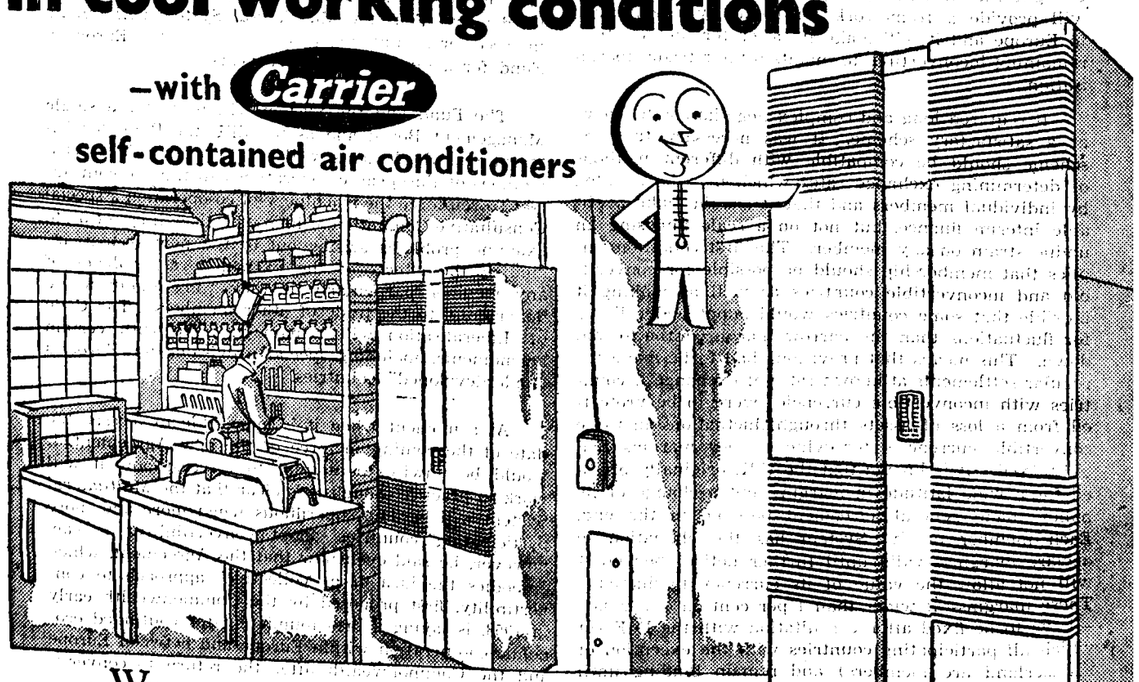
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The Business World

HANDS OFF RESERVES

BY

CROESUS

BY giving a sound, judicious, and well-reasoned decision, in the appeal against a fantastic judgment of the one-man Special Industrial Tribunal of Madras in the Madras Electric Tramways case, the Labour Appellate Tribunal of India (L.A.T.I.) has fully vindicated the stand of those who have been arguing for the retention of this useful institution, which several champions of labour, including even some of those who were themselves responsible, to a considerable extent, for its establishment, are so eager to see abolished today. The Madras Tribunal, it may be recalled, had, in an award, granted the workers of the Madras Electric Tramways, Ltd., following its closure in April, 1953, a 50 per cent share in the reserve funds of the Company and half a month's basic wage for every completed year of service up to a maximum of six months' salary as retrenchment relief. Your readers should, of course, be familiar with the circumstances in which the closure was brought about. In a way, it was almost forced upon the Company by the stand taken up by the Madras Government in its dispute with the Tramway Company on certain issues.

The L.A.T.I. summarily rejected the claim of the workers to a share in the reserve fund of the Company, even as it had done, on an earlier occasion when an Industrial Tribunal in the U.P. had made a similar award—which has become notorious as the Ahsan Award—as the one-man Special Industrial Tribunal of Madras conceding to the workers a share in the reserves of the Kanpur Electricity Co., Ltd. One is struck as much by this consistent attitude of the L.A.T.I. as by the convincing reasons adduced by the Appellate Tribunal to establish that workers cannot lay claim to a share in the reserves of a Company. Besides holding that the contention that workers are entitled to a share in the reserve funds "as if by right has never been conceded, much less allowed in the past", the L.A.T.I. gave the sensible ruling that the property of a company can be distributed only among its members or shareholders and that employees cannot be deemed as members. Clarifying further the respective rights and privileges of employees and shareholders in this behalf, it said: "Employees are in a privileged position as regards their salaries, wages and dearness allowances, while the shareholders are in a privileged position in regard to distribution of assets".

I am happy to find that the L.A.T.I. has made the further point—which I had made whilst commenting elsewhere on the Ahsan Award—that the labour force which contributed to the building up of reserve funds of a concern was 'not a constant factor'. It is not that, even if such were the case—for the sake of argument—the workers would become entitled to a share in the reserves. The only point sought to be made here, I think, is that there would be at least some semblance of equity in such an event. In reality, however, there is a succession of workmen, some of whom who actually toiled earlier may be no more, having either retired or died, and the L.A.T.I. was, therefore, justified in holding that the employees who follow them or those who happen to be in service in a given year in which a company may cease to function cannot be regarded as representatives—perhaps the better term would have been 'heirs'—of the older generation of workers. "What justice is there", as the Appellate Tribunal rightly asked, "where the claim is, in essence, a claim to share the fruits of others' labour by persons who happen to be in the employment of the company in the particular year in which its business is wound up?"

It is significant that the L.A.T.I. felt it necessary to impress upon the workers, who nowadays seem facilely to take so many things for granted, that the profit-sharing scheme was still in a "nebulous state" in India, resting delicately on the tentative report of a committee which had not yet been implemented by the Government of India. Not until the Government of India does so can workers have, according to the Appellate Tribunal, any legal claim to a share in the assets of a company at the time of its winding up. The questions naturally arise as to when and whether the Government will implement the profit-sharing scheme and as to what will happen thereafter.

Be that as it may, if the L.A.T.I. reversed the lower court's decision in the matter of the workers' claim to the Company's reserves, it not only upheld but enhanced the scale of retrenchment relief to the workers. The Madras Tribunal had awarded half a month's basic wage for every completed year of service but only up to a maximum of six months' salary. The Appellate Tribunal decided, however, to enhance this relief—despite the Company opposing it—on the grounds that the workers had now been denied a share in the reserves and that many of the employees might have to remain unemployed for the rest of their lives. It is not clear (from the reported version of the judgment) as to how this extra drain on the assets of the Company is suggested to be met.

EMPLOYMENT—DIRECT AND INDIRECT

(A Statistical Study)

By

CROESUS

WHEN, the other day, in the course of his address to the Democratic Group and the Commerce Graduates' Association in Bombay, Mr. G. D. Birla made an interesting point about allied employment in factory industries, I could see that many people desired fuller information on the extent of such allied employment. With a view, therefore, to getting some clearer idea on this point, I made an effort to get comparative figures of investment, employment,and earnings per head, both direct and indirect, in (1) a full-fledged textile mill, (2) a unit with factory spinning and handloom weaving and (3) a unit with hand spinning and hand weaving. Let me straightaway admit that, being a layman, I am not in a position to vouch for the cent per cent accuracy of these figures, although, let me add, I have spared no effort to get as reliable information

as possible under all the heads. Maybe, these figures need to, and would, be verified. But, subject to this, I make bold to say, the figures give a fairly correct perspective.

Here is the statement I have referred to:

Comparative study of three principal means of cloth production

Investment	Factory	Factory Spg. & Hand Weaving	Hand Spg. & Hand Weavig
Direct	Rs. 1,90,00,000	Rs. 1,40,00,000	Rs. 46,00,000
Indirect	„ 1,75,00,000	„ 1,10,00,000	„ 25,000
Grand Total	„ 3,65,00,000	„ 2,50,00,000	„ 46,25,000

Hands employed				
Direct	3,000	Factory:	2,325	
		Hand :	50,400	3,33,300
Allied	9,000	Factory:	2,900	
		Hand :	1,850	1,950
			57,475	3,35,250
Investment per head of labour employed	Rs. 3,000		Rs. 435	Rs. 14

Earnings per month	Rs.		Rs.	Rs.
Direct Total	5,97,000	Factory	1,92,000	
		Hand	6,88,000	12,20,000
Direct Average	199	Factory	82-8	
		Hand	13-10	
		[Average	48-1]	3-10
Indirect Total	4,40,000	Factory	2,38,000)	
		Hand	43,500)	46,000
Indirect Average	59	Factory	82	
		Hand	23-8	
		[Average	52-12]	23-8
Direct & Indirect Total	10,37,000	Factory	4,30,000	
		Hand	7,31,500	12,66,000
Direct & Indirect Average	86-7	Factory	82-4	
		Hand	14-0	
		[Average	48-2]	3-12

NOTE: The factory data are on the (average) basis of 26 days' work per month. If hand operatives work for 30 days a month, their number and earn ings will be as below:

(i) Number of hand workers	..	40,200	2,57,200
(ii) Average earning per head	..	18-4	4-14

Arising from the above statement, certain conclusions follow. Thus, for a monthly production of 47 lakh sq. yds. valued at an average rate of 8 as. per sq. yd., or, in the aggregate, of Rs. 22½ lakhs, the investment needed in a full-fledged textile unit would be Rs. 3.65 crores; in a unit with factory spinning and handloom weaving, Rs. 2.5 crores, and in a wholly handspinning and handweaving mill, Rs. 46.25 lakhs. The employment provided by the first, namely, the factory unit, would be 12,000, consisting of direct employment 3,000, and allied employment 9000; in the second category, the total employment would be 57,475 made up as follows: direct employment in factory: 2,325, handweaving: 50,400; allied employment in factory: 2,900 and handweaving: 1850; and in the wholly handspinning and handweaving unit, the total employment would be 3,35,250 consisting of 3,33,300 directly employed and only 1,950 indirectly employed. The investment per head of labour in the three different units would be Rs. 3,000, Rs. 435 and Rs. 14, respectively, but the earnings per month in the case of the full-fledged factory, both direct and indirect, would average Rs. 86-7 as compared to Rs. 48-2 (thanks, here again, to the factory employment component) in the case of a unit with factory spinning and handweaving, and only Rs. 3-12 in the case of a wholly handspinning and handweaving unit.

It is thus seen that the statement fully underlines the point made by Mr. Birla that it is very important, when considering the employment potential of a factory industry, to take into consideration the question of allied employment as well. For it is seen that, as against the allied employment of 1950 provided by a wholly handspinning and handweaving unit and of 4750 (including 2900 on the factory side) provided by a unit with factory spinning and handweaving, a full-fledged textile factory accounts for allied employment of as much as 9000! Roughly, the proportion would be 1 : 2 : 4 for handspinning and handweaving, factory spinning and handweaving, and full-fledged factory, respectively.

Mr. Birla, it should be mentioned here, did not underestimate in his address the employment potential of hand industries. On the contrary, he categorically stated that the total employment in hand industries was much larger than the total direct and allied employment in a factory unit. But what he proceeded to convey—a point which has been fully borne out by the statement above—is the fact that, whereas, in handspinning and handweaving, the addition to national wealth is extremely poor, it is sizable in the case of a factory. In other words, although it may be possible for hand industries to provide larger employment, they will not be able to raise the standard of living of the people to an appreciable extent. The fundamental problem, as Mr. Birla emphasised, is not just employment alone—mere employment is of little consequence—but also a rise in the standard of living. He reminded us that the problem facing this country today is to provide 10 million jobs and also a rise of 25 per cent in the standard of living, according to the authors of the Plan-frame. Creation of wealth becomes very important in this context, because, if there is wealth, employment can be created in hundred and one ways.

From the way in which the Plan is proposed to be patterned at present, it does not seem that the twin aims of employment and a rise in the standard of

living are going to be achieved. Accordingly, there must be a reorientation in the planners' approach to the pattern of industrialisation. It is Mr. Birla's thesis, based on his experience and observation of conditions in other advanced countries, that we must have an integrated industrial structure, a structure in which there is a place, and a definite one, for heavy industries, medium-scale industries and small-scale or hand industries. Ultimately, as he said, both the small-scale and the heavy industries would have to depend upon medium-scale industries. The heavy industries cannot produce on the strength of hand industries alone. They have necessarily to sell their products to large or medium-scale industries. Heavy industries cannot also come into existence, unless there are large-scale and medium-scale industries to be fed by them, and the same principle applies to the small-scale industries as well. The small-scale industries can exist partly as feeders to medium and large-scale industries and partly as caterers of decorative and luxury products. But, for the latter, there must be enough wealth in the country. Without adequate purchasing power, one cannot very well afford to go in for luxury goods.

Let me now sum up. First, it is not possible to raise the standard of living by relying wholly on small-scale industries although it may be possible to create large-scale employment. The word 'may' used here may be objected to by the protogonists of small-scale industries. But I have used it advisedly, as I have my own doubts about enough workers forthcoming for the jobs that the unduly expanded (as proposed) small-scale industries, especially handloom and handspinning, might have to offer. For, in the first place, the income is not by any means attractive. Secondly, it must not be forgotten that it is only a particular caste that is doing weaving today, even among them many have slowly begun to lose their hereditary professional skill by disuse. It is extremely doubtful if others, most of whom are from the educated classes, will take to these industries even if attractive wages are offered. Incidentally, it is worth emphasising here that the problem of unemployment is relatively more among educated middle classes, to whom jobs that handspinning and handweaving may have to offer do not provide an effective solution.

My second point is that it is not enough if any kind of employment is provided. If you really come to think of it, you can create employment in a number of ways provided there is wealth, which means that creation of wealth is a prerequisite to employment. What is as important as, if not more important than, providing employment is providing productive employment.

My third and final point is that, without a satisfactory provision for large-scale and medium-scale industries, heavy industries cannot thrive, even as small-scale industries cannot thrive without large-scale and medium-scale industries, to feed either of which is one of the primary functions of the small-scale industries.

I am sure these conclusions, which are merely a projection of Mr. Birla's ideas put out the other day, with the help of figures, would interest our planners and economists. If they do, I hope, the latter would carefully examine my conclusions. Needless to say, I would welcome further enlightenment on the issues raised.

CHINA NEWS ANALYSIS

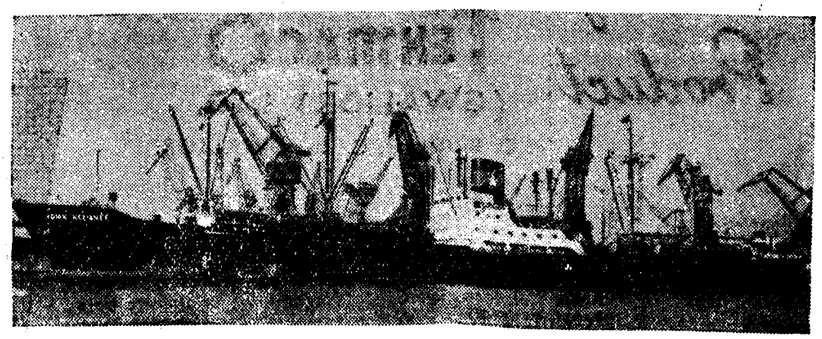
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Company Meeting

ORIENTAL GOVERNMENT SECURITY LIFE ASSURANCE CO., LTD.

Eighteth Annual General Meeting

Speech by Sir Cowasjee Jehangir, Bart

Presiding over the Eighteth Annual General Meeting of the Oriental Government Security Life Assurance Co., Ltd., held at the Head Office, Oriental Buildings, Bombay, at 4 P.M. on Wednesday, 10th August, 1955, Sir Cowasjee Jehangir, Bart, G.B.E., K.C.I.E., J.P., Chairman, referred to the resignation of Sir Purshotamdas Thakurdas, since the close of the year under report and quoted 'in extenso' the Resolution passed by the Board while accepting the resignation in which the Board has placed on record the long and meritorious services rendered by Sir Purshotamdas to the Company during the 36 years he was a Director out of which for 22 years he served as the Chairman of the Company in recognition of which service his bust has been put up in a prominent place in the Company's premises. Continuing he said:

I have pleasure in presenting to you the Report and Accounts for the year ended 31st December, 1954, a copy of which has been in the hands of the Shareholders and such of the Policy-holders as had asked for one before the date of the meeting and may, therefore, I hope, be taken as read.

NEW BUSINESS MORE THAN DOUBLE

The New Business completed last year amounted to an all-time record of 1,24,476 Policies assuring a little over Rs. 47¾ crores, which shows an increase of 46,201 policies assuring Rs. 24-1/3 crores as compared with the New Business of the preceding year. The Company thereby achieved the unique feat of more than doubling the volume of New Business during the last year. The average amount assured under a Policy also registered a significant increase of Rs. 3,837 as against Rs. 2,989 in the preceding year.

During last year, our total Premium Income crossed the Rs. 10-crore mark, the actual figure being over Rs. 1,046¼ lakhs as compared with Rs. 952½ lakhs in 1953 showing an increase of Rs. 93-2/3 lakhs.

The Claims by Death last year amounted to a little less than Rs. 108½ lakhs. The Claims by Maturity amounted to slightly less than Rs. 322½ lakhs. The Company's Mortality Experience has registered a further improvement, the ratio of Actual to Expected Deaths during the year being 37.0 per cent, as compared with 41.7 per cent, in 1953.

RENEWAL EXPENSE RATIO REGISTERS IMPROVEMENT

The Expenses of Management last year amounted to 25.4 per cent of the Premium Income as compared with 23.4 per cent in 1953, showing an increase of 2.0 per cent. Practically the whole of this increase, 1.9 per cent, to be exact, is accounted for by the provision of Rs. 20 lakhs made in the accounts for the liability in respect of future Gratuities to Staff. The Renewal Expense Ratio for last year was 11.67 per cent, as against 14.40 per cent for 1953 showing a decrease of 2.73 per cent.

As a result of the year's operations, the Funds of the Company increased to a little over Rs. 78¼ crores at the end of the year.

Demand for Policy Loans continued more or less at the level of the preceding year. The total amount of Policy Loans (excluding Automatic Premium Loans) standing on the Company's Books at the end of the year was a little over Rs. 592-1/3 lakhs.

The net rate of interest after deduction of Income-tax at the source earned on the Funds during 1954 was 4·12 per cent, as compared with 3.57 per cent for the preceding year. The difference is mainly due to the fact that while in 1953 we received refund of Income-tax for one year, in 1954 we received refund for two years.

The Lapse Ratio improved from 5.5 per cent in 1954 to 5.3 per cent in 1954.

The year under report was the last of a Triennial period at the end of which the Valuation of the Assets and Liabilities falls to be made to ascertain the profits for distribution between the Shareholders and the Policyholders. The Valuation is now in progress and the results will be available shortly.

POLICYHOLDERS' DIRECTORS

On 1st June, 1955, the usual triennial Policyholdes' Meeting in terms of Section 48 of the Insurance Act, 1938, was held and Messrs. Dahyabhai Vallabhbhai Patel, Pashabhai Patel and Chandrakant Chottabhai Patel were re-elected Directors.

MUTUALISATION OF THE COMPANY

Now a word about the idea of the Directors to mutualise the Company. As policyholders might be aware, an Extraordinary General Meeting of the Company was called on the 15th June last when the Directors put before the meeting a scheme for mutualisation prepared by them which was after some discussion unanimously approved by the Shareholders. It was as far back as the year 1948 when the Directors felt that, looking to the large size of the Company at that time and also the rapid progress which it was making during the preceding few years, it would be desirable to mutualise the Company, thereby leaving its management entirely in the hands of the Policyholders. As I stated in my speech before the Extraordinary General Meeting above referred to, the Directors felt that although the share capital played a very important role in the initial stages of the Company, the time has now come when the Shareholders should be paid off and the management of the affairs of the Company should be left to such of the Policyholders as are elected by them. It is with that idea

in view that the entire mutualisation scheme was considered in all its bearings by the Directors step by step with the result that we have now come to the stage when the scheme for mutualisation as put before the Extraordinary General Meeting and approved by them has been forwarded to Government. The scheme is being published in all the important newspapers of the country and the Government of India are also publishing it in the Government 'Gazette.' The scheme is thereby given the widest publicity possible and also any objections or suggestions are invited from interested parties and these should be addressed to the Controller of Insurance so as to reach him before 30th September next, which gives as long a period as 2 months for Policyholders and Shareholders to send their objections or suggestions, if any, after careful consideration. The Directors gave their utmost and very anxious consideration to the vital question of holding the scales even between Policyholders and Shareholders. To have their hands further strengthened they took the opinion of a highly respected legal luminary of top rank in India as regards the figure of compensation putting before him what they have arrived at as fair compensation. He fixed the compensation at Rs. 8,800 after carefully going into all the aspects of the problems. The sum of Rs. 8,800 is not what falls to be paid straightaway, but its payment will be deferred for or spread over a period of years. Again, it is not and cannot be secured on any tangible asset of the Company but only on 15 per cent of the emerging surplus of the periodical valuations of the Company. What is more important to consider is the fact that practically during all the years in the past the Shareholders had forgone a substantial part of the amounts that would have gone according to the Articles of Association of the Company to augment their dividends but which instead were allowed to augment the Policyholders' Life Assurance Fund. If the amounts the Shareholders had forgone in the past had been taken to a fund to their credit and invested, the amount standing to the credit of that fund itself would have provided a significant part of the compensation now sought to be paid to them. What is even more important to consider is the fact that the figure of Rs. 8,800 does not allow for any future increases in the dividend due to the progressively satisfactory functioning of the Company judging from how it has been functioning during the past few years.

Even from the date mutualisation is given effect to, the Debenture-holders' Directors will be reduced from the present number of 9 to 5. To enable the policyholders take over an increasing share in the management of the Company, there is provision for the number of Debenture-holders' Directors progressively diminishing further and the number of Policyholders' Directors correspondingly increasing as and when Debentures are redeemed.

To avoid any sudden strain falling on the Surpluses of a few trienniums only the redemption of the Debentures is deferred for or spread over a period of years.

These are some, if not all, of the points to which the Directors had to give their careful consideration before deciding on the principle of mutualisation and also the quantum of compensation. I thought it best to go to the length I have done in explaining how the Directors' minds have been working for a few years in the past on this important question of mutualisation.

The advantage that would be secured by Policyholders once the Shareholders are paid off will be very great indeed. Apart from the fact that the entire management of the Company will pass into their hands, there will also be a financial advantage in that there will not be any future liability, once the shares are paid off, for payment of dividends and the entire Surplus would be available for distribution amongst Policyholders alone. Taking all these factors into consideration, I cannot but wholeheartedly recommend to the policyholders the acceptance of the scheme as forwarded to Government.

NATIONALISATION OF INSURANCE

I now take up the highly vexed and topical question of Nationalisation of Insurance. In this connection, I cannot do better than quote fully what my predecessor in Office said at the time of opening the Oriental Building, Ahmedabad, on 17th March, 1953. Since this speech was not delivered before a meeting of policyholders and shareholders, I think it appropriate that his weighty words in this respect should receive your careful consideration:

> "It is surprising that in spite of the grim warning furnished so unequivocally by nationalisation of the coal industry in the U.K. in the shape of diminished output per man and increased cost of raising, our Ministers in power talk lightly of socialising or nationalising as applied to a business least fitted for nationalisation and whose progress depends upon research in several fields of intellectual activity which can be fostered only under conditions created by healthy competition as a private enterprise. I, therefore, cannot allow this occasion to pass without putting out most respectfully a warning to these advocates of socialism. 'Hands off those for whom we insurance companies are trustees, particularly as they are normally widows and orphans'. I make an appeal to Ministers in power in all humility but with the utmost sincerity to be consistent in their policy declarations bearing in mind the great harm that will be done to the country's economy by inconsistent pronouncements of policy."

Since then, Chairmen of almost all companies have gone fully into the question and I cannot do better than says that I whole-heartedly agree with every bit of what has been said in this respect.

In my statement as Chairman at the Annual General Meeting of our Subsidiary, the 'Oriental Fire,' I have already expressed my considered opinion regarding this disturbing development as it affects the future of Indian general insurance companies. I make no excuse for reiterating that I consider it a most retrogressive move and I am of the opinion that even the threat or rumour of nationalisation may be sufficient to damage the prestige of Indian companies in those overseas territories in which a number of us are seeking to establish outselves.

On that occasion, I also amplified the details of the progress of our Subsidiary, the Revenue Accounts and Balance Sheet of which are shown separately in the accounts now before you. Steady progress was again recorded in all departments and it was possible to increase the dividend from Rs. 15 to Rs. 20 per share free of income-tax after substantially strengthening the Reserve position and making adequate provision for all contingencies. With our Subsidiary firmly established, I am satisfied that we are now in a position to offer insurance service second to none in the best 'Oriental' tradition, not only so far as life insurance is concerned but also in all other departments of our business.

Before concluding, I should like to convey our appreciation of the steady performance of our Active Agents which has enabled the Company to complete a New Business of over Rs. 47¾ crores.

Finally, I wish to convey our appreciation to our Officers and Staff at the Head Office and at our Branches of the helpful service rendered by them during the year.

BUSINESS NOTES

FROWNING ON DONATIONS?

REPORTS FOR some time past indicate that instances are on the increase where income-tax authorities frown on donations given by assessees for religious or charitable purposes. The object, it is obvious, is to exert a sort of pressure on assessees to reduce donations, if only because the exchequer stands to gain by such a course. Little thought is given to the vital issue: At whose cost is the exchequer made to gain?

The law on the subject of exemption of religious and charitable donations from income-tax is contained in Section 15B of the Indian Income-tax Act, as amended by the Finance Act of 1953. Before any part of the income of a donor-assessee qualifies for exemption from income-tax, the following conditions are required to be satisfied: (1) The income of the institution or fund, which is the object of the religious or charitable donation, must be entitled to exemption under the comprehensive provisions of Section 4(3)(i) of the Indian Income-tax Act. (2) The institution or fund must not be intended for the benefit of any particular religious community, except where the benefit is to accrue to scheduled castes, scheduled tribes and other specified categories. (3) The institution or fund must maintain regular accounts of receipts and expenditure of its monies. (4)(a) The institution or fund must be constituted as a public charitable trust or it must be registered under the Societies Registration Act, 1860, or it must be a university established by law or an educational institution recognized by Government or a University; or (b) it must be an institution financed wholly or partly by the Government or a local authority. (5) The aggregate sums paid by an assessee by way of donation must not be less than Rs. 250. (6) The exemption will hold good only up to 5 per cent of the assessee's total income as reduced by any portion thereof exempt from tax or Rs. 1,00,000 whichever is less.

The following assortment of business enterprises typifies the philanthropic part played by business and industry in general. The amounts represent donations made by them for religious or charitable purposes during the last accounting year.

Tata Iron & Steel Company	.. ..	Rs. 2,11,520
Rohtas Industries	.. ..	„ 1,04,131
Nizam Sugar Factory	.. .. ..	„ 68,275
United Commercial Bank	.. .. ..	„ 19,958
Shri Ambica Mills	.. ..	„ 19,297

These donations go to finance institutions or causes of national importance which could not subsist without them, nor are there probabilities of alternative finance available to them. So long as the law provides safeguards to ensure that donations are chanelled in the right direction, why should any attempt be made to discourage them?

CONSULTATION ON RAIL PROBLEMS

ALL OF a sudden, we seem to have become conscious of our transport problems. Official spokesmen admit, more freely than they were prepared to do ever before, that there are quite a few bottlenecks that need looking into and do not seem averse to discussing these. One sees almost a keen anxiety, as it were, on their part, both to understand the hardships and difficulties of the users of railways and to explain to the latter their own difficulties and limitations. Only recently, the question of improvement in goods train operation was discussed at a Conference (in Delhi) between the Railway Board and the Chief Operating Superintendents of the Zonal Railways. In Bombay, last week, again, transport bottlenecks and ways to overcome them formed the subject-matter of discussions between the General Managers of the Central and the Western Railways and the Indian Merchants' Chamber at a meeting held on August 10. Mr. B. M. Chinai, President of the Chamber, drew the attention of the railway chiefs to the difficulties experienced by the mercantile community in the matter of non-availability of wagons and booking facilities over the two railways and pointed out that the goods booking situation, which had already become difficult in the past few months, might become worse still if effective steps were not taken immediately. Stating that manufacturers, traders, and consumers had all been equally affected by this non-availability in booking facilities, Mr. Chinai also dwelt on certain administrative drawbacks, such as delay in the announcement of opening and closing of bookings, as also in the issue of Railway Receipts, and irregularity in the allotment of wagons at the City goods depots.

The General Managers of the Railways replied that they were conscious of the fact that they were not in a position to meet the entire needs of transport of the country because of obvious limitations. They, however, pointed out that the Railways had been strenuously trying to handle more and more traffic by improving administrative efficiency, by adopting certain short-term measures, and by accelerating the overall turn-round of wagons. The adoption of these measures, they felt, would mean an improvement of about 25 per cent in the handling capacity of the railways by November, 1955. In the matter of railway receipts, they disclosed that instructions had already been issued to see that these were issued to consignors within 24 hours from time the goods were offered for booking. In this connection, they drew the attention of the business community to the fact that any real expansion of the Railways could only be expected after the completion of the second Five-Year Plan, under which the Railway Ministry intends to spend more than Rs. 1500 crores on improvement of railway assets and capacity. The first Five-Year Plan, according to them, aimed only at rehabilitating the Railways.

FUTURE OF COIR

SIX AD-HOC COMMITTEES were constituted by the Indian Coir Board nearly a year ago to examine the various aspects of the Board's functions laid down under the Coir Industries Act. Four of them have submitted their reports whose recommendations have now been released to the public.

Coir provides the West Coast with one of its major economic activities affecting a larger number of people than perhaps any other industry and its products form an important export item or foreign exchange earner. But arbitrarily splitting an integrated problem and assigning it to different committees as was done last year seems to have only succeeded in preventing any particular committee from looking at the problem as a whole. Besides, the Committees were uniformly handicapped in their discussions by the complete lack of reliable data concerning the various aspects of the industry. In this context, the conclusion of the Committee for Research and Statistics that research should be undertaken under the heads of technology, statistics and economics, is of vital importance. The urgency of

this matter is no doubt felt because coir producers are the least organised and hence incapable of providing reliable information. The Yarn Committee has been frank enough about the anarchic conditions that prevail in the internal trade and the widespread adulteration of the product. Though the Committee has stressed the need for organising the producers of yarn to stabilise the industry, it has suggested no specific measures to achieve this end. If, as recommended by the Yarn Committee, the Board takes over the administrative control of the coir co-operatives, now run by the State Governments, it would, of course, provide closer and more immediate supervision, but it would require a vastly enlarged Coir Board with a much bigger budget. But in an industry where there are over five lakhs of primary producers, the enrolment of 22,620 in 142 co-operative societies in five years is not an impressive record.

One of the two committees whose report has not been submitted is the External Marketing Committee, but now that Dr. Franz Wilhelm, President of the Union of the European Coir Industry, is in India, it would perhaps be advisable to defer the drafting of the report till the Committee has had an opportnuity of meeting and exchanging views with him and his colleagues.

The development of the industry depends on knowing more accurate facts and an immense effort to organise the producers. Coir has many substitutes and rivals like sisal, manila and henequen. The idea that is commonly held in certain quarters that we can dictate the price of coir to overseas buyers with impunity may land the industry in serious trouble. For, out of the total fibre output of 1,20,000 tons, about 54,000 tons are internally absorbed, leaving as much as 66,000 tons to be marketed abroad. The total production of mats, mattings rugs and carpets is about 21,000 tons of which as much as 20,000 tons are exported. Fortunately for India, however, there is wide scope for the expansion of internal demand both for coir yarn and coir products. As the Committee on Internal Marketing suggests, if the consumption of yarn in India is increased by another 10 to 15,000 tons, it will have a great stabilising effect on the price factor. Now hardly five per cent of the production of coir products is consumed within the country. The present undue dependence on foreign markets is a serious weakness and so long as it continues, it is bound to reflect considerably on the fortunes of the industry with every fluctuation in the external demand.

FRESH QUOTA FOR GROUNDNUT EXPORT

NEW DELHI has sprung yet another surprise by releasing a further quantity of groundnut oil for exports. Although it is almost second nature for shippers to expect export quotas, usually at fixed intervals, the announcement did provide a pleasant surprise for the trade was lately becoming restive over the prolonged silence of the authorities on this issue. The simultaneous decision of the Government to raise the export duty on groundnut oil from Rs. 100 to Rs. 150 per ton did not prove to be a disturbing factor, inasmuch as shippers were confident of their margin of profit not being greatly affected in view of the remunerative nature of export business in this commodity. There has been a steadily growing demand for Indian groundnut oil in the overseas markets, especially in the U.K. and on the Continent where prices have been ruling at between £108 and £110 per ton c.i.f. in bulk. Far Eastern buyers have been quoting even higher at £121 per ton in drums, the main centres being Hong Kong, Singapore, and Rangoon.

The actual quantum of the quota on the basis of 7½ per cent of the best year's exports works out to between 10 and 12,000 tons of groundnut oil. In view of the trade's conservative estimate of the stock position of groundnuts during the season remaining at around 1½ lakh tons and taking into account the late monsoon and the consequent delay in crop arrivals, marketmen have been accumulating lines more and more with a view to be prepared in advance for the export quota which was generally expected to be announced at this part of the year. Prior to the announcement, overseas buyers were quoting around £9 and £10 higher per ton due to scarce offering. Since the announcement of the export quota and with the added burden of a rise in the export duty, it has now turned to the lot of Indian shippers to quote lower rates of between £4 and £7 per ton to attract foreign buyers. It is this pull working from opposite ends that was responsible for checking the initial uptrend in prices. Thus, groundnut oil, which quoted Rs. 12-13 prior to the announcement, went up to Rs. 13-6 immediately following the quota announcement, but only to relapse to Rs. 12-14 on Friday. How the market trend will turn out to be in the days to come is very much dependent on the extent of business that Indian shippers are enabled to do in the overseas markets.

ORIENTAL'S PROUD PERFORMANCE

AS THE Oriental Government Security Life Assurance Company stands on the threshhold of its great transformation into a mutualised company, it is pleasing to find that it attained a new peak in business in the calendar year 1954. A noteworthy record was attained in respect of the new business completed in 1954 which amounted to 1,24,476 policies assuring a little over Rs. 47¾ crores—an increase of 46,201 policies assuring Rs. 24-1|3 crores over the previous year. This outstanding record of doubling the volume of new business is in keeping with the general trend in life insurance business in 1954 and in some degree it is the outcome of the policy of reduction of premium rates widely adopted over the country.

But it is significant to note that the average amount under a policy registered an increase to Rs. 3,837 in 1954 as against Rs. 2,989 in 1953. Total premium income rose to Rs. 10,46¼ lakhs last year as compared to Rs. 952½ lakhs the year before. Claims by death amounted to a little below Rs. 108¼ lakhs and claims by maturity were slightly less than Rs. 322½ lakhs. There was vital improvement in the mortality experience and the ratio of actual deaths to expected deaths stood at 37 per cent in 1954 as contrasted with 41.7 per cent in 1953. The expenses of management in 1954 were 25.4 per cent of the premium income at which level they show an increase of 1.9 per cent over 1953 virtually due to the provision of Rs. 20 lakhs for liability in respect of future gratuities to staff. The renewal expense ratio last year was 11.67 as against 14.40 per cent in 1953. The lapse ratio recorded an improvement from 5.5 per cent in 1953 to 5.3 per cent in 1954. The funds of the company reached the level of a little in excess of Rs. 78¼ crores at the close of the year.

Sir Cowasjee Jehangir, delivering the presidential address before the eightieth annual meeting of the company once again explained in brief the principal features of the scheme of mutualisation. This issue has been discussed thread-bare before, and it only needs to be mentioned here that compensation to shareholders has been proposed at the rate of Rs. 8,800 per share spread over a period of years. Sir Cowasjee has made a fervent appeal to policy holders to accept the scheme, now pending government's approval, since it strikes an even balance between the interests of shareholders and policy holders.

ASHOKA CEMENT'S FRESH ISSUE

ASHOKA CEMENTS LIMITED, who were incorporated on May 27, 1954, with an authorised capital of Rs. 2.5 crores, have approached the capital market with an additional issue of share capital. Out of the authorised capital which is divided into 50,000 Preference Shares of Rs. 100 each and 20,00,000 Equity Shares of Rs. 10 each, 1,50,000 Equity Shares have been issued already. The present fresh offer of issue of capital consists of 4,50,000 Equity Shares of Rs. 10 each at par. Of these 1,50,000 Equity Shares have been agreed to be subscribed and they will be allotted accordingly. The balance of 3,00,000 Equity Shares of Rs. 10 each are offered for subscription by the public at par payable in the amounts of Rs. 2-8 per share along with the application and Rs. 7-8 per share on demand against offer of delivery of share scrips. Since obtaining the certificate of commencement of business except acquiring land on lease and placing orders for machinery. Its immediate plan is to establish a cement plant at Dalmianagar, Bihar, with a kiln-capacity of 775-850 tons per day. With the loan of Rs. 50 lakhs which the Industrial Finance Corporation has sanctioned in favour of the company, it can make a confident start in the new venture.

LOWER PROTECTION FOR GRINDING WHEELS

IN CONCURRENCE with the Tariff Commission, Government has decided to reduce the quantum as well as range of protection to the grinding wheels industry in this country. Grinding wheels of more than 24 inches diameter, or less than 1|32 inch or more than 9 inches in thickness, and diamond impregnated wheels are excluded from the scheme of protection. For the time being, the excluded categories will suffer no disadvantage as a revenue duty at the rate of the new protective duty is to be levied on imports of these two categories. In respect of other types of grinding wheels, protection has been extended for a further period of two years up to December, 1957, but the rate of duty has been reduced by a little more than half to 25 per cent ad valorem including surcharge. The concession of duty-free imports of synthetic abrasive grains is to be continued during the extended period of fresh protection. The existing policy of priority to indigenous grinding wheels and segments for government requirements is to continue provided price quotations are not unreasonable. This proviso may allow in certain cases price preference to domestic products.

The Government resolution on the Tariff Commission's recommendations does not mince words. It states bluntly that the high tariff wall was not put to proper use and the consumer of this vital product—engineering industries—has not derived benefit from protection. Caution has been issued that price control or other appropriate regulatory measures will be clamped to protect the consumer if necessary. The sole producer—Grindwell Abrasives Ltd.—has been exhorted to reduce production costs, concentrate on economical range of products and to provide better after-sale service. Reduced protection and the emergence of competing units as anticipated in the near future are trusted to exert wholesome influence on the present only unit in the sphere.

STEEL PIPE AND TUBE INDUSTRY IN EUROPE

A STUDY of the above industry conducted by the Secretariat of the Economic Commission for Europe demonstrates that the industry's consumption of world crude steel production, excluding the iron curtain countries, rose to 10 per cent in 1954 as against 8 per cent during 1936-38. The industry is expanding at a faster rate than the flat products industry. The study makes a forecast of the demand in the near future and arrives at the conclusion that Western Europe's tube requirements are likely to rise from 3.7 million tons to 5.1 million tons between 1954 and 1960. This estimate may turn to be an understatement. The study discloses that the per capita consumption of pipe and tube steel in the USSR is now higher than in the U.K. and Western Germany. This is indicative of the rapid progress in that country's industrialisation from an underdeveloped stage. Underdeveloped countries now entering an era of quick industrialisation will push up their demand, but part of it will be satisfied by indigenous production, leaving undoubtedly a fair share to producers from Western Europe. Pressure of local demand must necessarily offer wider market for the producers in the region.

LABOUR IN ART SILK MILLS

THE FOURTH ANNUAL Labour Report of the Silk and Art Silk Mills' Association deals exhaustively with the labour situation in the silk textile industry during 1954-55 and the various legislative measures enacted by the Government.

The year under review was a comparatively quiet one, the prices of art silk yarn and cloth being steady unlike in the preceding years which witnessed frequent and violent ups and downs. This is evident from the fewer closures, both partial and total. Notwithstanding this, there was increasing indiscipline on the labour front, judging by the sharp rise in the number of lightning strikes, the number of workers involved and the man-days lost by 14 per cent, 60 per cent, and 143 per cent, respectively, compared to the previous year. There was a further increase in the financial burden imposed on the industry, especially in Bombay, according to the Report, such having been occasioned by labour legislation, the amendments to the Factories Act, 1948 and the implementation of the 'Employees' State Insurance Scheme in Greater Bombay, Bhiwandi, Thana and Borivli talukas.

SHREE KRISHNA GYANODAY SUGAR LIMITED

NOTICE

The Board of Directors of the Company in their meeting held on the 13th August, 1955 have decided to pay an ad interim dividend of Re. 1|- per share without deduction of income-tax to the shareholders whose names stand in the Company's Register on the 1st October, 1955. Issuing of dividend warrants will commence immediately thereafter.

The Share Transfer Books of the Company will be closed from 26th September, 1955 to 1st October, 1955, both days inclusive.

By order of the Board,

For Shree Krishna Gyanoday Sugar Limited,

SAHU JAIN LIMITED,

Managing Agents.

CALCUTTA,
13th August, 1955.

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS

The Subscription List will close on Monday, the 22nd August, 1955 or earlier at the discretion of the Directors.

A copy of this Prospectus has been filed with the Registrar of Joint Stock Companies, Patna as required by Section 92(2) of the Indian Companies Act. VII of 1913.

Consent of the Central Government has been obtained to this issue by an Order of which a complete copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinion expressed with regard to them.

"A license has been obtained from the Central Government for the establishment of a new industrial undertaking for the manufacture of Cement of which a copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence the Government of India do not take any responsibility of the financial soundness of this undertaking or for the correctness in any of the statements made or opinion expressed in regard to it."

The Company is already on the official quotation list of Delhi Stock Exchange Association Limited and applications have been made to the Calcutta Stock Exchange Association Limited and The Native Share & Stock Brokers' Association, Bombay for enlistment.

PROSPECTUS OF

ASHOKA CEMENT LIMITED

(Incorporated under the Indian Companies Act VII of 1913)

AUTHORISED CAPITAL .. .. Rs. 2,50,00,000

Divided into:

50,000 Preference Shares of Rs. 100 each.
20,00,000 Equity Shares of Rs. 10 each.

ALREADY ISSUED & SUBSCRIBED:

1,50,000 Equity Shares of Rs. 10 each.

PRESENT ISSUE:

4,50,000 Equity Shares of Rs. 10 each at par of which 1,50,000 Equity Shares of Rs. 10 each have been agreed to be subscribed which will be allotted accordingly.

Now the balance 3,00,000 Equity Shares of Rs. 10 each are offered for subscription by the public at par and are payable as follows:

Rs. 2-8-0 per share with the Application.
Rs. 7-8-0 per share on demand against offer of delivery share scrips.

Directors:

1. Shri Shanti Prasad Jain, Chairman, Sahu Jain Ltd., Rohtas Industries Ltd., The Punjab National Bank Ltd., etc., etc., 9, Alipore Park Place, Calcutta. **(Chairman).**
2. Shri Mohanlal Jalan, Partner, M/s. Soorajmull Nagarmull, Director, Bengal Jute Mills Co., Ltd., Bombay Gas Co. (Pro.) Ltd., etc., etc., 8|9, Bankim Chatterjee Street, Calcutta.
3. Shri Ramniwas Ramnarain Ruia, Chairman, M/s. Ramnarain & Sons Ltd., Director, Bank of India Ltd., New India Assurance Co., Ltd., Andhra Valley Power Supply Co., Ltd., Finlay Mills Ltd., etc., etc., State Bank Building, Bank St., Bombay.
4. Shri P. N. Talukdar, Managing Director, M/s. N. R. Sarkar & Co., Ltd., Director Hindusthan Co-operative Insurance Society Ltd., Hindusthan Pilkington Glass Works Ltd., etc., etc., 5, Moore Avenue, Calcutta.
5. Shri Bhagwan Das Goenka, Director, Express Newspapers Ltd., Dalmia Cement (Bharat) Ltd., Tiru Arooran Sugars Ltd., etc., etc., Mount Road, Madras.

Auditors:

Messrs. N. C. Jain & Co., Chartered Accountants, Delhi.

Solicitors:

Messrs. Khaitan & Co., 1B, Old Post Office Street, Calcutta.

Bankers:

1. State Bank of India.
2. Chartered Bank of India, Australia & China.
3. The Punjab National Bank Ltd.
4. Allahabad Bank Ltd.

Registered Office:

Dalmianagar, Dist. Shahabad (Bihar).

PROSPECTUS

The Company was incorporated on the 27th May, 1954 for the objects set out in the Memorandum of Association generally and in particular to produce, manufacture, purchase, sell and to deal in all kinds of cement, cement products, lime, limestone and to establish, maintain and work cement factories and other works.

The immediate plan is to set up at Dalmianagar in the State of Bihar a Cement Plant with a kiln capacity of 775-850 tons per day. In pursuance of this objective about 7 acres of land have been secured on 99 years lease from Messrs. Rohtas Industries Ltd., on a rental of Rs. 2,100 per annum. Limestone deposits are abundant in the neighbourhood of Dalmianagar and judging from the results of the existing cement factories, the location provides excellent advantages.

Main plant and machinery have been purchased from Messrs. Fried Krupp Maschinen-und Stahlbau Rheinhausen, West Germany. Installation work is in progress. The factory is expected to go into production in about six months. Even on the basis of an average profit of Rs. 10 per ton at a normal annual production of 2,50,000 tons of Cement it is expected

that the Company would be able, after making requisite provision out of its working profits for redemption of loan capital, to declare fair dividends on its equity shares from the very first year of operation. The Company has the advantage of a small capital base and low capital expenditure per ton of Cement.

It is well-known that in the years to come there will be progressively increasing demand for cement. The following table shows the present position in respect of Ordinary Shares of a few cement companies.

Name of the Company	Face Value of Ordinary Shares Rs. a.	Market Quotation (Around) Rs. a.	Dividend per cent per annum on face value
Associated Cement Cos. Ltd.	100 0	190 0	8.5
Dalmia Cement (Bharat), Ltd.	10 0	16 8	10.0
Sone Valley Portland Cement Co., Ltd.	5 0	7 8	7.5
Shree Digvijay Co., Ltd.	100 0	205 0	8.5

The Directors do not propose to issue any further Capital until the Company declares a dividend on the present issue.

TAX BENEFIT

The Company is advised that companies subscribing capital under this issue will be entitled to obtain exemption from payment of Super Tax as provided in Section 56A of Income Tax Act.

PREVIOUS ISSUES AND MINIMUM SUBSCRIPTION

The Company, incorporated on the 27th May, 1954, issued and allotted to the subscribers of the Memorandum and Articles of Association, Directors and their friends Equity Shares of Rs. 5 lakhs. The Company obtained Certificates of Commencement of Business on 23rd August, 1954. Thereafter further shares of Rs. 10 lakhs have been issued and allotted to the Directors and their friends. The Company has not carried any business except placing orders for machinery and acquiring land on lease. The Industrial Finance Corporation of India has sanctioned a loan of Rs. 50 lakhs against the 1st mortgage Debentures secured on the fixed assets of the Company. The shares allotted and subscribed as aforesaid together with the loan of Rs. 50 lakhs are in the opinion of the Directors sufficient to provide in respect of matters specified in Sec. 101(2) of Indian Companies Act in relation to the present issue.

PRELIMINARY EXPENSES

The preliminary expenses exclusive of brokerage are estimated to be not more than Rs. 50,000.

VOTING RIGHTS

No member shall be entitled to be present or to vote on any question either personally or by proxy for another member at any general meeting or upon a poll or be reckoned in quorum whilst any money is due from him alone or jointly with others to the Company in respect of any shares in the Company.

Every holder of an Equity Share not disqualified by the preceding Article or Articles and who has been duly registered in the books of the Company before the date of General Meeting shall be entitled to be present and to speak and vote at such meeting and when present in person shall have one vote on a show of hands and on a poll when present in person or by proxy shall have one vote in respect of every Equity Share held by him in the Company. The holders of Preference Shares shall not be entitled to voting rights, but shall be entitled to be present at any meeting of the Company.

No member, not personally present, shall be entitled to vote on show of hands unless such member is corporation present by a proxy or a Company present by a representative duly authorised under Sec. 80 of the Act, in which case each proxy or representative may vote on the show of hands as if he were a member of the Company.

The right to exercise the vote of a lunatic, idiot or a minor shareholder shall be exercised by his duly constituted curator, committee or other legal guardian. In absence of any such duly constituted curator, committee or guardian, if more than one person claim to exercise the right of vote, the Chairman of the Meeting will accept the vote of such person only as he may select in his absolute discretion.

Any person entitled under the transmission clause to transfer any share may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

If there be joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares. If more than one Joint-holders be present at any meeting either personally or by proxy, that one of the said persons so present whose name stands first on the register shall alone be entitled to vote in respect of such shares but the other joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name the shares stand shall for the purpose of these Articles be deemed Joint-holders thereof.

DIRECTOR'S QUALIFICATIONS AND REMUNERATION

The qualification of a Director, other than an Ex-officio Director, shall be the holding of in his own name or jointly with any person whether beneficially or as a trustee for any Company or person or otherwise at least one share of any class in the Company.

The remuneration of the Directors shall from time to time be determined by the Board of Directors. At present the Directors have fixed Rs. 100 per Director for attending each meeting.

The Directors shall be paid their travelling and other expenses (including hotel expenses) of attending and returning from meeting of the Board or Committee

or Sub-Committee as fixed by the Board from time to time.

If any Director shall be called upon to go or reside abroad on the Company's business or otherwise perform extra services (which expression shall include work done by a Director as a member of any Committee or Sub-Committee formed by the Director) the Board may arrange with such Director for such special remuneration for such services, either by a fixed sum or by a percentage of profits or otherwise as may be determined by the Board. This remuneration may be either in addition to or in substitution of the remuneration above provided, and the Directors shall be entitled to be paid any travelling or other expenses incurred in connection with the business of the Company.

BORROWING POWERS

The Directors or the Managing Agents (within the limit or limits fixed in that behalf by the Directors and subject to the previous approval of the Directors) may raise or borrow any sum or sums of money for the purpose of the Company and may secure payment or repayment of the same in such manner and upon such terms and conditions as may be prescribed by the Board and in particular by the creation of any hypothecation or charge on and over the Company's stocks, stores, book debts and other movable property, provided that the Managing Agents shall not exercise the power to issue any debentures.

Provided further, that the amount borrowed by the Company (exclusive of the amount borrowed by hypothecation, pledge or mortgage of the stock-in-trade, book debts and movable assets to the extent not exceeding the full value thereof) and outstanding at any one time shall not, without the sanction of the Company in General Meeting, exceed the issued capital plus Reserves of the Company, but so that no lender or other person dealing with the Company shall be concerned to see or enquire whether this limit is observed or not.

RESTRICTIONS ON TRANSFER OF SHARES

The Directors may, at their absolute and uncontrolled discretion, and without assigning any reason, decline to register or acknowledge any transfer of shares other than fully paid-up shares.

RIGHTS IN RESPECT OF PREFERENCE AND EQUITY SHARES

The Preference Shares shall confer on the holders thereof the right to a fixed cumulative Preference Dividend as will be determined by the Directors at the time of their issue and shall rank both for capital and dividend, in priority to Equity Shares, but will have no further rights to participate in the profits or assets. The Company may by a resolution in the General Meeting issue Preference Shares, which are, or at the option of the Company are to be liable to be redeemed on a premium which will be determined by the Compay in General Meeting.

No issue of Preference Shares is, however, contemplated for the time being.

INTEREST OF DIRECTORS

Directors are interested in the promotion of the Company as shareholders and to the extent of the remuneration payable to them as hereinbefore specified. Shri S. P. Jain is also Director of Rohtas Industries Ltd.

BROKERAGE

Brokerage at the rate of annas 4 per Equity Share will be paid by the Company to Bankers, **bona fide** brokers and members of the recognised Stock Exchange in respect of all shares allotted against applications received bearing their stamp.

APPLICATION FOR SHARES

Application for shares may be made on the form accompanying the *Prospectus* or any typed or printed copy thereof or on the form which may be obtained from the Registered Office of the Company or its Branch Office at 11, Clive Row, Calcutta or from any of the branch offices in India of the following Banks:

1. State Bank of India.
2. Chartered Bank of India, Australia and China.
3. The Punjab National Bank Ltd.
4. Allahabad Bank Ltd.

Application together with the necessary remittance for the shares applied for may be made at any of the above-mentioned places. In case of applications to the Company's offices direct, cheques drawn on any bank in India will be accepted at par. In the case of applications through banks, outstation cheques or drafts should include collection charges and all payments (not in cash) tendered to banks should be drawn to the order of the bank. Where no allotment is made or where the number of shares allotted is less than the number of shares applied for, the full deposit or the balance of deposit, as the case may be, will be returned without interest.

The shares will be issued subject to the Memorandum and Articles of Association of the Company, a copy of which can be inspected at the Registered Office or the Branch Office of the Company during office hours.

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

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THE HINDUSTAN TIMES,
NEW DELHI.

COMMODITY NEWS AND NOTES

WORLD GRAIN PRODUCTION

"The contrast between yields of rice in tropical countries and those in semi-tropical and temperate regions is very marked", says a review of world grain crops just issued in London by the Commonwealth Economic Committee. The report, in its survey of rice production, underlines a fact not generally known: That cooler countries are now obtaining yields of this cereal higher than those attained in tropical lands where rice is mostly consumed.

The review explains that the milder temperatures apparently contribute to these higher results, but that intensive and better methods of cultivation and more widespread use of selected seed and fertilizer are chiefly responsible for the present position. Highest returns are achieved by Italy where the average over the past five years is 26.6 cwt. per acre. The five-year averages of other principal rice-producing countries are: Australia, 25; Japan, 22.6; United States, 14; Brazil, 8; Burma, 7.6; Thailand, 6.8; India 6.1.

COMMONWEALTH RICE OUTPUT

Nearly one-half of the rice grown outside China and the Soviet Union is produced in Commonwealth countries due to the fact that, despite the low acreage yield, there is a greater outturn in India and Pakistan.

"The production of rice", the review continues, "has shown considerable expansion in recent years, largely as a result of the higher level of output in India and Pakistan. The world total reported in 1953-54 outside China was one-fifth above the pre-war figure, although a somewhat lower level is indicated for 1954-55. On the other hand, the volume of rice shipped in post-war years has been considerably smaller than formerly, as a result of fall in exports from South-East Asia. Last year both India and Pakistan had a record area under rice cultivation, the total of 101,000,000 acres being nearly one-third above the pre-war figure for the sub-continent.

WHEAT OUTPUT

Dealing with food-grains generally, the review says that world grain production declined in 1954-55, though in the five preceding years it had risen continuously to some 20 per cent above the pre-war average. The fall was mainly due to the reduced output of wheat, maize, and rice. This was in great measure due to lower wheat production in North America and the smaller output of maize in most countries. The review shows that the Commonwealth countinues to supply one-quarter of the world output of wheat, although it has a smaller acreage than before the war. By the adoption of improved agricultural practices and use of selected seed, some Commonwealth countries have obtained striking increases in yields per acre. In Canada, output per acre is one-third above pre-war, while yields in Australia have gone up by nearly one-half.

COST OF GRAIN PRICE SUPPORT

Replying to a question in the Lok Sabha, Dr. P. S. Deshmukh, Minister for Agriculture, stated that the total value of wheat and jowar purchased by the Central Government in different States under the price support scheme, during 1955-56, was Rs. 2,08,28,742 and Rs. 51,99,278, respectively. Wheat was bought at Rs. 10 per maund, the largest amount purchased being in Uttar Pradesh. Jowar was purchased at Rs. 5-8 per maund, the largest amount purchased being in Uttar Pradesh and Madhya Pradesh.

Dr. Deshmukh stated that no commission or remuneration was being paid to the State Governments for these purchases. He also said that there was no scheme to distribute corn so purchased as seed. But, at its request, the U.P. Government had been authorised to sell jowar for seed purposes to those who may wish to buy it. Similar requests from other State Governments would be considered on merits, he said.

EXPENDITURE ON JAP METHOD

The Food and Agriculture Minister, Mr. Ajit Prasad, stated in Parliament that the total amount spent by the Government of India for the propagation of the Japanese method amounted to Rs. 2,30,141 since the beginning to the end of 1954-55. Out of Rs. 1,89,634 spent in 1954-55, Rs. 40,555 was spent on publicity material and its distribution.

SUGARCANE ESTIMATE

The all-India first estimate of sugarcane 1955-56, puts the acreage at 3,970,000 acres, as against 3,647,000 acres of the adjusted first estimate for 1954-55. This shows an increase of 8.9 per cent in area. The increase has been mainly reported by U.P., and to a lesser extent by Punjab, West Bengal, Rajasthan, Madhya Bharat and Saurashtra.



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PIA PAKISTAN INTERNATIONAL AIRLINES

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949–50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947–48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948–49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949–50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950–51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951–52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952–53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953–54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954–55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
September 1954 ..	363.6	426.0	353.3	377.7*	607.8	384.4*	90.4	100.5	88.5	129.9
October ,, c ..	355.9	428.8	351.8	376.5	605.7	381.6	90.3	100.5	88.4	118.2
November ,, c ..	334.2	443.8*	348.8*	377.0	605.4	376.1	90.4	100.5	88.3	116.0
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	114.9
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	330.6	370.0	567.4*	342.6*	90.8	100.6	87.5	113.2
Week Ending										
25-6-1955 ..	288.7*	389.9	332.3*	369.5	563.2*	345.2*	90.7	100.8	87.7	114.3
2-7-1955 ..	299.0	398.7*	329.7*	369.9*	568.0*	350.1*	90.9	100.7	87.6	115.6
9-7-1955 ..	304.0	412.8	331.6	370.6	567.8	354.7	90.9	100.7	87.7	116.9
16-7-1955 ..	317.8	408.3	331.1*	370.5	570.1	358.8	90.9	100.8	88.0	118.6
23-7-1955 ..	312.5	407.7	329.8	370.9	552.7	356.3	90.9	100.8	87.9	118.7

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 August	345	362	241	135	330	408	372	140	336	145	141	138
September	347	364	237	137	332	406	371	137	335	147	142	128
October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	324	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	129
May	320	336	204	122	—	335	351	—	—	—	—	—
June	—	333	211	123	—	347	—	—	—	—	—	—
July	—	—	—	—	—	371	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 13-8-1955			6-8-1955			30-7-1955			23-7-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95- 2	94-11	94-14	94-11	94- 8	94-10	94-14	94-10	94-12	94-12	94- 1	94- 6
Silver (per 100 fine tolas)	161- 8	160-12	161- 2	162- 0	161-12	161-15	161- 5	160-10	161- 4	160-10	158-12	160- 3

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938–39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947–48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948–49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949–50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950–51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951–52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952–53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953–54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954–55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56.33	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54 41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
Week Ending										
1-7 1955	1,312,72	28,58	1,341,30	40,02	652,04	692,06	51.60	105,60	543,65	1,341,30
8-7-1955	1,321,64	19,15	1,340,79	40,02	652.04	692,06	51.62	105,08	543,65	1,340,79
15-7-1955	1,310,85	30,93	1,341,78	40,02	652,04	692,06	51.58	106,07	543,65	1,341,78
22-7-1955	1,297,99	30,32	1,328,31	40,02	637,04	677,06	50.97	107,60	543,65	1,328,31
29-7-1955	1,291,47	37,72	1,329,20	40,02	637,04	677,06	50.94	108.49	543,65	1,329,20
5-8-1955	1,305,80	22,53	1,328,33	40,02	637,04	677,06	51.00	107.63	543,65	1,328.33

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938–39*	14,90	..	16,19	75	31,84	1,28	43,12	28 38	1,53	4,21	1,72	2	6,36	90
1947–48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47.24	2,62	406,95	1,57	21	81,53	4.85
1948–49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949–50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	2,35	8,39	960,54	4,34
1950–51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2 37	6,77	76,72	5,06
1951–52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187.14	5,90	19,42	95,19	11,91
1952–53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,82
1953–54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954–55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	198,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68.78	1,08	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63.67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
Week Ending														
1-7-1955	58,96	12,34	46,14	35,70	153,14	30,04	193,17	28,69	11,96	61,86†	91	37,20	46,55	6,01
8-7-1955	84,07	17,67	46,87	14,90	163,51	28,76	202.26	19,25	9,96	63,32†	86	41,69	61,24	5,94
15-7-1955	81,74	20,05	52,27	14,81	168,86	29,37	208,23	31,08	9,40	64,36†	80	35,45	61,21	5,93
22-7-1955	79.62	18,90	53 34	14,67	166,53	35,59	212,12	30,47	8.58	79.62†	83	25,40	61,24	5,98
29-7 1955	80,24	20,19	54,46	15,06	169,95	36,88	216,84	37,87	7,75	80,03†	1,00	22,47	61,47	6,25
5 8-1955	76,71	10,88	48,51	15,74	151,84	38,14	199,98	22,64	7,69	82,24†	85	19,58	61,66	5,31

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

CENSUS OF MANUFACTURING INDUSTRIES, 1953
CEMENT

Items		Madras	Bihar	Bombay, Madhya Pradesh, Orissa Rajasthan Patiala and East Punjab States Union, Saurashtra and Andhra.	Total
1		2	3	4	5
1. Number of factories employing 20 or more workers and using power—					
a. In existence		3	5	12	20
b. From which returns were received		3	5	12	20
c. Percentage of b to a		100	100	100	100
2. Average number of days worked		365	355	355	356
3. Productive Capital employed—					
a. Fixed capital—					
i. Land	Rs.	4,64,937	6,93,574	14,55,385	26,13,896
ii. Buildings	Rs.	62,21,588	91,21,939	2,48,66,036	4,02,09,563
iii. Plant and machinery	Rs.	1,15,80,010	1,85,28,235	6,42,97,872	9,44,06,117
iv. Other fixed assets	Rs.	39,89,594	18,56,443	66,12,718	1,24,58,755
Total	Rs.	2,22,56,129	3,02,00,191	9,72,32,011	14,96,88,331
b. Working capital—					
i. Stocks of raw materials	Rs.	1,38,44,224	1,45,64,785	3,77,47,785	6,61,56,794
ii. Stocks of finished products and by-products	Rs.	16,07,320	5,38,396	23,78,108	45,23,824
iii. Semi-finished products in stock or in process	Rs.	10,21,397	20,20,813	60,16,390	90,58,530
iv. Cash in hand and at the banks	Rs.	7,98,418	6,28,403	65,06,771	79,33,592
Total	Rs.	1,72,71,289	1,77,52,397	5,26,49,054	8,76,72,740
Total productive capital	Rs.	3,95,27,418	4,79,52,588	14,98,81,065	23,73,61,071
4. Number of persons employed—					
a. Workers	No.	2,906	3,397	8,573	14,876
b. Persons other than workers	No.	555	699	1,825	3,079
Total	No.	3,461	4,096	10,398	17,955
5. Salaries and wages paid—					
a. Workers	Rs.	35,16,323	42,46,707	1,01,46,695	1,79,09,725
b. Persons other than workers	Rs.	10,89,732	19,95,641	43,21,768	74,07,141
c. Money value of other benefits or privileges	Rs.	3,05,620	5,19,872	9,97,410	18,22,902
Total	Rs.	49,11,675	67,62,220	1,54,65,873	2,71,39,768
6. Fuels, Electricity, lubricants, etc. consumed—					
a. Quantity—					
i. Coal	Ton	153,912	295,222	744,464	1,193,598
ii. Electricity	K.W.H.	51,313,283	31,962,842	38,740,937	122,017,062
iii. Lubricating oils	Gallon	19,985	53,252	92,553	165,790
b. Value—					
i. Coal	Rs.	67,80,135	69,37,456	2,39,93,692	3,77,11,283
ii. Electricity	Rs.	12,62,360	19,97,678	31,52,216	64,12,254
iii. Lubricating oils	Rs.	1,02,017	2,07,288	4,31,061	7,40,366
iv. Others	Rs.	3,73,239	1,47,099	16,51,065	21,71,403
Total	Rs.	85,17,751	92,89,521	2,92,28,034	4,70,35,306

CENSUS OF MANUFACTURING INDUSTTRIES, 1953 - contd
CEMENT

Items		Madras	Bihar	Bombay, Madhya Pradesh, Orissa, Rajasthan, Patiala and East Punjab States Union, Saurashtra and Andhra.	Total
		2	3	4	5
7. Materials consumed—					
a. Quantity—					
i. Lime stone, kankar, calcite, etc.	Ton	772,937	1,138,355	2,855,687	4,766,979
ii. Gypsum	Ton.	21,167	27,997	87,818	136,982
iii Gunny bags	No.	7,965,699	15,636,430	36,617,673	60,219,802
b. Value—					
i. Lime stone, kankar, calcite, etc.	Rs.	21,17,013	85,69,304	1,19,24,443	2,25,90,760
ii. Gypsum	Rs.	6,97,904	11,96,537	27,47,931	46,42,372
iii. Gunny bags	Rs.	54,32,459	93,42,693	2,14,16,868	3,61,92,020
iv. Others	Rs.	43,98,356	40,58,654	1,52,64,983	2,06,21,993
Total	Rs.	1,26,45,732	2,31,66,188	4,76,54,225	8,34,66,145
8. Amount paid to other concerns for work done for factory	Rs.	5,890	1,30,509	22,693	1,59,092
9. Production—					
a. Quantity—					
Portland cement—					
i. Normal	Ton	539,374	803,662	2,033,362	3,376,398
ii. Rapid hardening	Ton	..	2,736	1,295	4,031
TOTAL	Tons	539,374	806,398	2,034,657	3,380,429
b. Value—					
1. Portland cement—					
i. Normal	Rs.	3,74,30,378	5,83,50,855	15,28,43,175	24,86,24,408
ii. Rapid hardening	Rs.	—	2,35,753	1,33,351	3,69,104
TOTAL	Rs.	3,74,30,378	5,85,86,608	15,29,76,526	24,89,93,512
2. Other products	Rs.	6,49,115	2,84,171	2,99,653	12,32,939
TOTAL	Rs.	3,80,79,493	5,88,70,779	13,32,76,179	25,02,26,451
10. Amount received from others for work done for them.	Rs.	—	—	—	—
11. Value added by manufacture—					
i. Ex-factory value of products and work done for customers.	Rs.	3,49,14,431	5,63,29,082	12,50,37,446	22,71,80,959
ii. Value at factory of materials, fuels, etc consumed and work done for factory by other concerns (including the value of semi-finished products or finished parts manufactured earlier but consumed during the year)	Rs.	2,14,62,966	3,28,50,696	7,62,81,125	13,05,94,787
iii. Depreciation	Rs.	17,08,456	24,20,307	80,69,852	1,21,98,615
iv. Value added by manufacture [i—(ii+iii)]	Rs.	1,17,43,009	2,10,58,079	5,16,86,469	8,44,87,557

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The Gajendragadkar Award

HINDSIGHT is as commonplace as imaginative foresight is rare. It is a great pity that the lack of appreciation of this fact sometimes produces judgments which are grossly unfair. The humiliation which the Government of India is undergoing as a result of the notorious Bank Dispute case arises primarily from this simple fact that Justice Gajendragadkar has written after the event while the Government's modification of the previous Industrial Tribunal's Award was made before it. The event in question is the sudden return of vitality to India's banking system. After many years of stagnation, within twelve months, demand and time liabilities of banks have risen by something like Rs. 100 crores. It is easy enough to say that the Government of India should have anticipated this rise seeing that the tempo of its own expenditure

was scheduled to rise in similar proportion. But there is no close or certain relationship yet proved between the volume of Government expenditure and that of bank deposits and inexplicably for some years Government expenditure was comparatively neutral all round. In other words, the conditions under which the Gajendragadkar Award was framed were fundamentally different from those which operated at the time the Government of India's award was passed and for some years previously. There is therefore no reason for the general public to feel that the Government of India and particularly the Ministry of Finance, were not justified at the time they made their decision. All that has happened shows that their judgment of the future erred somewhat on the side of caution, being based on the only experience then available.

It may well be that the present award errs somewhat on the other side. This is no cause for its non-acceptance and indeed it is good that all parties have declared their intention of abiding by the results without further protracted controversy. Almost all that need be said on this particular matter is that the present Commission's Award is the result of a painstaking study, and whether it errs in detail or not, it is an excellent bench-mark from which the discussion of similar issues can proceed. Justice Gajendragadkar is entitled to the credit of having produced a document of no emphemeral kind.

On the other hand it is to be remembered that not all parts of this Report can be of equal worth. The Commission has chosen, greatly daring, to make certain recommendations relative to the cost structure of the banking system, such as a possible upward adjustment in the rates charged on loans and advances, concerted actions by banks to enforce floor rates on some categories of advances as well as ceilings on deposit rates. Whether it should come within the field of an Industrial Tribunal to suggest measures designed to increase the revenues of institutions at the expense of persons unheard such as the banks' clients, whether as lenders or borrowers, is a matter on which opinions may well differ. It is a wholly unhealthy precedent that judicial findings should cover issues on which no judicial decision is possible by the nature of the uncertainties which attend the particular business on which these easy pronouncements can be partly made.

It may well be that there is justification for the view that some salaries being paid to the top-most executives in the banking world are a little out of line with current trends set in motion by the approbation generally accorded to the doctrine of a socialistic pattern of society. To say that the costs should be reduced wherever possible by a reduction of excessive payments does not imply that markets can always be increased by raising sale prices. Whereas the Industrial Tribunal might hold a judicial view, therefore, on the structure of existing costs, it cannot surely hold that it has any precise evidence on the likely behaviour of deposits and advances under conditions which have not come under review. In paragraph 82 of the Report, it is stated that the Commission consulted some economists and they appeared to be of the opinion that the earnings of banks in the next two or three years would not be lower than they were in 1954. A similar question was asked of bankers who also agreed. There is justification enough for the views of both economists and bankers on this trend based on existing conditions. But would these economists or these same bankers be equally unambiguous if the proposition were put to them that profits should be made larger than they currently are by imposing on the banking system conditions not relevant to existing trends? It surely would be dangerous for any economist and, indeed, for any banker to prophesy with any assurance that a fundamental change in interest rates would not have a heavy impact on profits. There is more than a little evidence that the rate of interest is a highly sensitive lever in regulating the volume of deposits and advances. How otherwise could the Bank Rate have acquired its tremendous reputation as an instrument of financial control?

It is obvious that when the Government states that "these matters are separately under the consideration of the Government and appropriate action will be taken in respect of them" that all that is intended is a routine examination of the possibility of altering the rate of interest when circumstances justify that course. This is actually done by the Reserve Bank of India week by week and, by and large, in the last year one must applaud the firm grasp the Reserve Bank has shown in handling interest rates in the country. Does the Labour Minister's statement on the Bank Award imply that a super-enquiry on banking charges is now to be placed in operation? If so, the country has a right to know by whom such an enquiry is being held.

The moral of this unhappy episode is now clear. When stagnation overtakes in any sector of the economy, internal stresses increase and, with the best will in the world, and, even in the presence of neutral parties like the Government, it is extremely difficult to find a solution. When, however, the economy expands it is possible to find a remedy much more easily. This is not because the nature of employers or employees has changed or that the attitude of Government is different in any material way. It arises simply from the fact that there is more to be distributed and, therefore, the obstinacy with which different sectors resist the claim for larger payments by others is considerably reduced. The banking sector, like every other sector of the Indian economy, will be released from internal strains largely to the extent to which it becomes truly prosperous. In the last analysis, prosperity is the only solvent for a wide range of distribution problems.

It is obvious in this sense that production problems are the answer to distribution problems. So long as additional per capita income is given to every member of a system, the individual percentage which in any case cannot be determined for some years belongs to the second order of smalls. The real danger implied in such doctrines as compulsory saving or control of outtendency of the Indian economy to expand at this time may be restrained with the result that additional stresses are set up in just the manner in which, during the period of the stagnation of the banking system, they arose on the question of salaries. There is here a supreme political argument in favour of the expanding economy. But, of course, the expanding economy does not need a political argument to justify it; it is its own best reward.

Goa—Stalemate or Success?

NOW that the first phase of the Goa satyagraha is over, there is time to take stock of the situation. The satyagraha, being confined to small batches, has happily resulted in fewer casualties than would have been the case had mass satyagraha been adopted. Even though public passions have been running high, following the Portuguese firing on Independence Day, and sections of the foreign press have tried to discredit the motives of Mr. Nehru's international policies, there is no doubt that the peaceful and cautious approach of the Government of India is slowly and painfully winning the day so far as Indian opinion is concerned. This does not mean it will be equally effective on Portuguese opinion.

As the passions of the moment die down, it will become increasingly evident to every thinking person that the Government of India's steadfast adherence to non-violent methods has been the wisest under all circumstances. While it is true that India is in a position to free the pockets by force in a matter of hours, there could be no doubt that police action would be a complete betrayal of all the principles that India has stood for and would also bring many undesirable consequences in its train. A telling exposition of Portuguese tactics was given by the Prime Minister when he said: "There is little doubt that what took place yesterday (Independence Day) was perhaps deliberately meant to provoke the Government of India into some action which might draw a veil over Portuguese misdeeds and wrong action in Goa. But Parliament and the Government should move with dignity as well as firmness in this matter".

Having prudently ruled out force, the Government, without being inactive, has proceeded to take other means in its possession. Economic sanctions, such as suspension of postal and railway communications and monetary remittances, have been already imposed and some more might follow, including the recall of Indian mining labour. It has, however, to be conceded that there are severe limitations to economic sanctions and that even those now imposed are bound to cause hardship to the people inside the enclaves. But the very thought that these hardships have been foisted on them by the misdeeds of the Portuguese is sure to add impetus to their urge for the overthrow of the autocratic regime. Diplomatic rupture has also become complete, even though it has closed a vital source of information for us regarding the goings-on inside the enclaves. No one expects the Portuguese to give in soon as a result of these measures; in fact, they are already seeking support from Pakistan and Ceylon. Yet the question arises: How long will they be able to hold on in this manner against the will of their own citizens? It is significant that enquiries conducted by foreign correspondents, by no means converted to the Indian view, prove that the forces desiring merger are much larger than they seemed earlier. One particular correspondent places them as high as between ninety and ninety-five per cent.

The Congress and the Government of India have shown exemplary courage in courting unpopularity—albeit temporarily—by refusing to yield to the popular clamour for the use of force. In the eyes of Asia, the shootings have placed Dr. Salazar wholly in the wrong. In fact the conscience of the entire civilized world has been shocked by the Portuguese brutalities. Not only history but time is on our side, and it is vital that India's international reputation should be fruitfully availed of, if possible, to solve the Goa tangle. Since the Portuguese have spurned all attempts at direct negotiations, it might be helpful to seek the good offices of the Bandung Powers to bring pressure on Lisbon. The Ceylon Prime Minister's reported offer to mediate should be availed of. It is futile to expect European colonial powers voluntarily to step forward on the side of India.

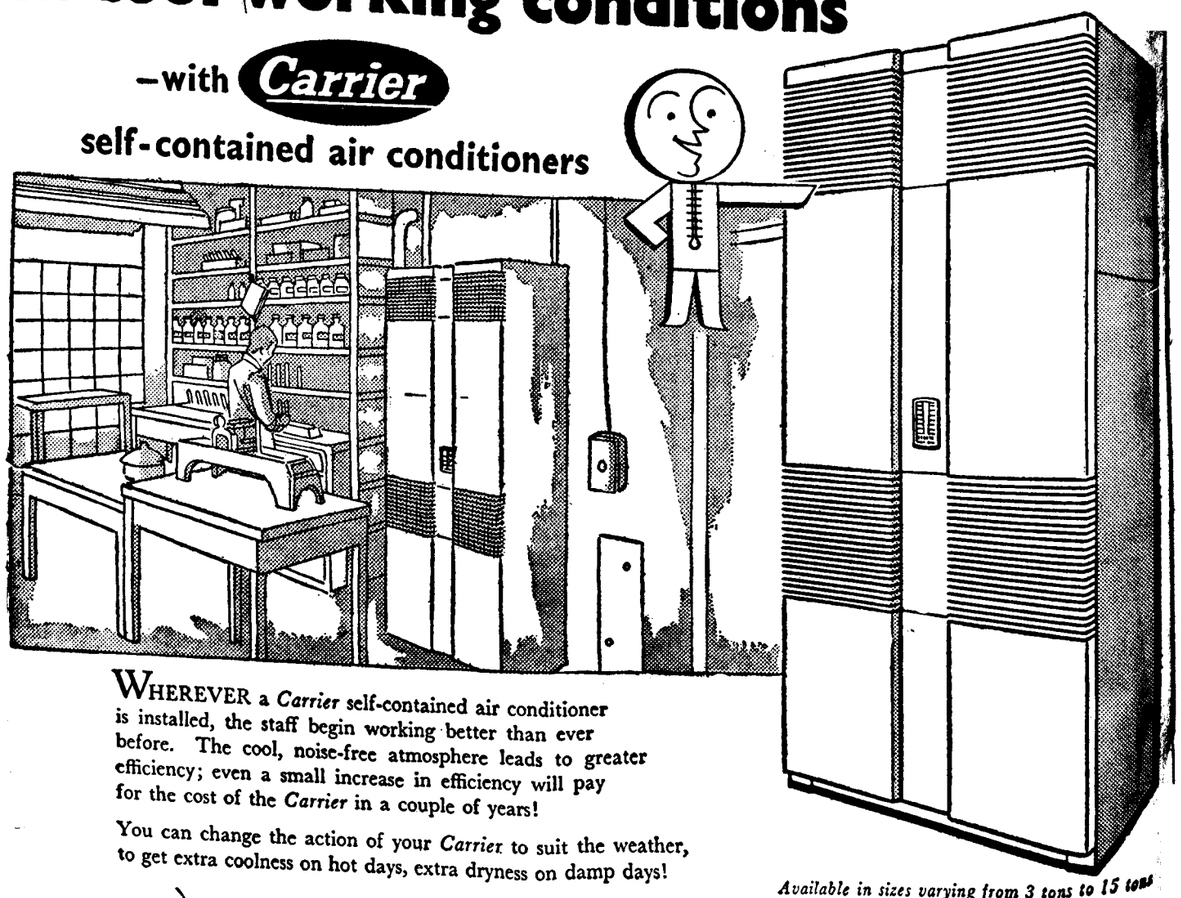
If the table is to be turned against Lisbon, the first requisite is for our overseas public relations machinery to wake up from its habitual slumber and state its case in sound moral principles acceptable to the Christian world. There is a duty here for Christians in particular; this was all too tardily recognised at the public meeting of Christians convened in New Delhi last Sunday. India's External Affairs Ministry has yet to prove its capacity for drive and imagination; under its directions, its publicity apparatus abroad has always fought shy of facts and proved a deplorable flop in times of crises. It would do well to take a lesson from Portugal and Pakistan in this matter. If these two smaller countries have been able to enlist widespread sympathy from more quarters than we have in respect of Kashmir and Goa, it is certainly due to their vigilant, vigorous and efficient propaganda and our failure on the propaganda front. The justness of our cause in Goa at least should not be allowed to go by default.

For some days past, the public mind in India had been exercised over press reports that Pakistan nationals in Goa had concerned themselves improperly with taking sides on the Goa issue. It is heartening to know, on the authority of the Pakistan High Commissioner in New Delhi, that there are no Pakistan nationals serving in the Portuguese police or armed forces and that there are no Pakistan civilian officers in Goa. In the present strained atmosphere, both in India and Pakistan, the press has the public responsibility to ensure that nothing likely to exacerbate feelings between the peoples of the two countries is published. Political parties and particularly their spokesmen in Parliament should exercise restraint, and show evidence of constructive statesmanship in their speeches on the Goa issue which is to be debated shortly in Parliament. Meanwhile, it would contribute much to allaying Indian apprehensions if the Pakistan Government clarifies the character and extent of its trade relations with Goa and its stand on the reported launching of an air service between Lisbon and Goa, via Karachi, as these are bound to hit India's economic sanctions against the Portuguese regime and, to that extent, go counter to the spirit of the Bandung declaration against Asian aid to imperialism.

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THE WEEK'S NOTES

ATOM BREAKS THE BARRIER

THE 12-DAY Atoms-For-Peace conference in Geneva has ended on a note of gratification and restrained optimism. If this biggest-yet meeting of scientists has, in the words of Dr. Bhabba, "succeeded beyond all hopes and expectations", it is due in no small measure to the absence of any recrimination or any desire to hush up any information, and more so because of the liberal and enthusiastic manner in which the participants exchanged every information at their disposal and endeavoured to put their knowledge and experience into a common pool. The conference has broken the extreme secrecy which had surrounded most atomic energy research for the past one decade and revealed the fact that the Big Powers had been following more or less parallel paths of research and had arrived at almost the same stage of progress.

The more important results of the conference are worth recording: It has been established that fusion power is the next major frontier for atomic scientists. While it is premature to predict when atomic fusion would become practicable as a source of energy for power, experts acknowledge that their countries estimated that it might come within 20 years. They agreed that the problem of harnessing the H-Bomb principle for peaceful purposes was largely an engineering challenge. The immediate benefits of the atomic era for mankind will be found in the extensive and ever-increasing use of radioactive isotopes in the fields of medicine, agriculture and, possibly, with radioactive wastes from reactors. It has also been agreed that, while the world is on the threshold of atomic power era, nuclear power plants are not going to sprout all over the world immediately. The period of further experimentation to settle upon a most efficient reactor system and fully to master technology of material and reactors is generally estimated at five years.

The conference has also paved the way for the setting up of an international atomic agency, an important function of which will be to guard against the spread of atomic secrecy in the sphere of commerce. It is good that delegates from many countries have welcomed the idea of another conference as soon as sufficient additional knowledge on atomic energy has been accumulated.

MASSACRES IN MOROCCO

FRENCH NORTH AFRICA witnessed the worst form of violence last week-end, the second anniversary of the deposition of Sultan Mohammed Ben Youssef, when nearly 1,000 people, both African and French, were butchered and entire towns were burnt and pillaged in Morocco and Algeria. The bomb outrage of July 14 in Casablanca and other tragic developments before last Saturday had made it abundantly clear that trouble was brewing, but the French Premier's move in deputing M. Grandval as the Resident-General of Morocco, with the intention of securing peace through agreement with the Nationalists, failed to avert the tragedy.

It may be some time before the reinforcements of French troops can gain complete control over the Nationalists who also are receiving fresh support from warrior tribesmen. The African peoples' passion for freedom from colonial rule is so intense that even their leaders may not succeed in bringing them under control. Meanwhile, the present Sultan, installed by the French, has put up many lists for the proposed Cabinet, which have failed to receive acceptance of the French, because of the Sultan's obstinacy in excluding the Nationalist leaders. It may, however, be true that even if he succeeded in forming a cabinet, he cannot continue in his present position in the face of overwhelming Nationalists' demand for the return of the former Sultan. Simultaneously with their launching of a fierce offensive against the Nationalists, a high-powered committee of the French, including the Prime Minister and the Foreign Minister, is now negotiating with about 40 leaders of the Moroccan political parties in an attempt to arrive at a settlement for the future of the North African Protectorate. If there is a desire to restore peace to this unhappy land, the French must recognise the demands of the local population and snatch the unreasonable privileges of the French settlers who, in many cases, indulge in violence and terror. Punishment of those responsible for the violence should not degenerate into vindictive reprisals which will hinder all proposals for settlement.

DISCUSSIONS ON DISARMAMENT

NOT FOR a long time has world attention been so sharply focussed on disarmament efforts as it will be when the U.N. Disarmament Commission's Five-Nation "London Sub-committee" reconvenes in New York on August 29, in an attempt to bring an early opportunity to translate the frank and friendly mood of the summit talks into practical action on one of the world's major concerns. In his dramatic offer to the Soviets to exchange military information, President Eisenhower sharply illuminated the crux of the whole issue, which always has been the necessity for establishing reliable inspection controls over any disarmament arrangement and providing adequate verification of its fulfilment. Further emphasis was provided by the U.S. Secretary of State, Mr. Dulles, in welcoming Moscow's announced intention to reduce the Soviet armed forces by 640,000 men—the first such reduction of any size in eight years. He pointed out that the Soviet Government has never provided any information on the size, disposition, or arms of its forces.

The sub-committee first went to work in London on May 13, 1954, but a series of meetings brought no settlement of the differences which have existed since 1946, though there were some important developments. The debates were always overtaken by the conflict between the Russian insistence on first banning and destroying nuclear weapons and the Western insistence on setting up a control organisation first. The four Foreign Ministers' meeting in Vienna, however, decided that the sub-committee should recess until after the projected meeting at the summit. This has resulted in the present optimism, that an agreement may be reached, arising from the considerable relaxation in international tensions and somewhat changed attitude of both sides on their positions, held tenaciously till now. The four heads of government have held their frank discussions in Geneva and President Eisenhower has made his unique offer to Premier Bulganin. Resumption of the disarmament sub-committee's meeting on August 29 will be watched closely for practical results of the Geneva Conference.

Shorter Notes

Controlling the Floods

THE flood havoc repeats itself every year, taking a huge toll of life, crops and property, and annual statements of the havoc have been made to Parliament.

However, this year's deluge in eastern U.P. was the severest in 90 years, and at certain places the water level was higher than any recorded in previous years. Some 80 lakhs of people living in the flooded area spreading over thousands of villages have been affected and nearly three lakh houses have collapsed. More than the major rivers, which often swell in mountain ranges, the heavy downpours this year were responsible for bringing about this devastation by swelling comparatively smaller rivers in the lower reaches, which did not cause much destruction in previous floods, and breached embankments, inundating vast areas of land. Bridges, culverts and canals obstructed the free flow of water and were washed away at many places.

Allegations of neglect, on the part of authorities, in the maintenance of bunds and delay in taking necessary steps even when the danger to bunds was brought to their notice, have been made and the U.P. Government has done well in setting up an inquiry commission to go into the circumstances that led to these breaches. The task of controlling this nature's fury is, no doubt, stupendous and requires vast financial resources to cope with the situation. The Central Flood Control Board is meeting next month, and relevant data will have to be collected to be placed before them to enable the Board to decide upon the proper course of action. Meanwhile, the Pakistan Prime Minister has also expressed a desire to explore the possibility of setting up a joint commission to recommend preventive measures for floods in the Himalayan rivers that pass through both India and East Pakistan. However, the proper approach to the problem would be for the authorities to enthuse the public concerned to extend their active co-operation in the ambitious programme of training the rivers, without which hardly anything substantial can possibly be achieved.

Report on Restrictive Practices

THE question of "restrictive practices" in Britain has been agitating the minds of public since 1944. All along it has been subject to conflicting opinions. In 1948 an Act was passed to provide for the investigation of monopolies and restrictive practices in industry and trade and to give the Government special powers for dealing with those found to be working against the public interest. The Monopolies and Restrictive Practices Commission was appointed in 1949. The Commission which has been carrying on investigations into the arrangements of various industries has completed one enquiry, on the general effect on the public interest of exclusive dealing, collective boycotts and aggregated quantity rebates, published in a report on "Collective Discrimination". A minority of three (against seven) is of the view that the restrictive practices should be prohibited only if they are found after individual investigation, to be against the public interest. They also do not object to the compulsory registration and publication of such restrictive agreements. On the whole, they do not regard the practices as generally injurious. But, the majority considers that these practices affect the public interest adversely and believes that most of them should be prohibited with limited categories of exemption.

The Government announced its proposals on July 13. Broadly, the proposal is for the Board of Trade to have the power to specify certain restrictive practices and make it obligatory for persons operating such practices to register them. After registration they may be considered by a specially appointed tribunal. The merit of this approach is that it is not dogmatic, but empirical.

The Future of Sudan

THE tragic incidents in Southern Sudan, following the unanimous decision of the Sudanese Parliament on the evacuation of foreign troops do not detract from the widespread desire in the Sudanese people to work out their own destiny independently. The desire was expressed by the Sudanese Premier when he appealed to both Britain and Egypt to accept without delay the independence of Sudan. The agreement of 1953, however, provides that the country elect a constituent assembly which would decide the future status of Sudan. Though this may mean at least another year of transition and, perhaps, some trouble, yet ultimately the advantage will be that the decision of the constituent assembly will be final and indisputable.

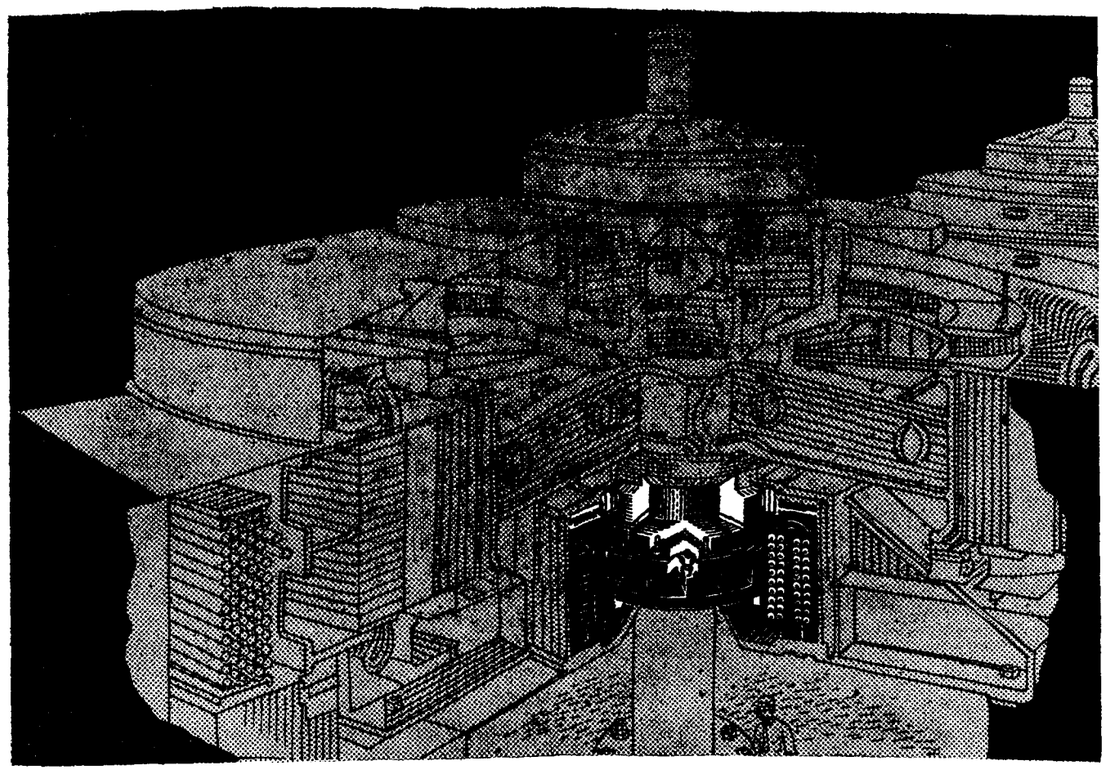
It is true that the Nile waters link the prosperity and interests of Egypt with those of Sudan. But, for Egypt, an independent Sudan may prove to be a better and more useful neighbour than if she is coerced in any way into a union. For both Britain and Egypt, the wise course would be to win the friendship and good will of the Sudanese people.

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A Window on the World

WHAT DO YOU READ ON SUNDAYS?

By

ODYSSEUS

WHAT TOPICS does the editor of a "quality" Indian newspaper think will interest his readers on a Sunday? Do these topics differ from those chosen by the editor of a corresponding British Sunday paper? I have just spent two days analysing the contents for August 7 of the "Observer", one of Britain's two "quality" Sunday papers, and of an Indian newspaper which, to avoid any invidiousness, I will not name.

Here are the tabulated results of my investigation:

SIZES OF NEWSPAPERS

"OBSERVER" of London

Pages	Total Columns	Total Column Inches	Total Inches of Advts.	Per cent Advts. to Reading
12	96	2,112	902	42.2

An Indian Sunday Newspaper

20	160	3,360	1,071	31.8

	Home News "Observer" Inches	Home News Indian Inches		Foreign News "Observer" Inches	Foreign News Indian Inches
Sport	177	124.5	From all		
Misc.	71.5	229	countries	217	254.5
Political	—	204	(of which		
Finance			C' wealth)	(32.5)	(83.5)*
Industry	33.5	223			
Crime	—	41.5			
Weather	4	16.5			
Broadcast programmes	4	22			
Legal	—	7.5			
Accidents	5	5			
TOTAL	295	873	TOTAL	217	254.5
	or 14 per cent	or 24.7 per cent		or 10.27 per cent	or 7.5 per cent

* Including Pakistan 49 inches.

	The Arts "Observer" Inches	The Arts Indian Inches		Feature Articles "Observer" Inches	Feature Articles Indian Inches
Music	24	16.5	Misc.		
Theatre	22	43	Articles	190	719
Films	20	87	Letters to		
Book			the Editor	46	21
Reviews	167	105	Editorials	44	17.5
Art			Crosswords	28.5	—
Photos	58	25.5	Bridge		
Ballet	6	—	Problem	7	—
Art Exhibitions	12	—	Chess	6.5	—
Television	13	—	Women:		
Radio	8	—	Clothes	21	—
			Cooking	13	—
			Country Life	34	—
			Short Story	—	53
			Comic Strips	—	136
TOTAL	330	277	TOTAL	390	946.5
	or 13.4 per cent	or 8.2 per cent		or 18.4 per cent	or 28 per cent

Consolidated Analysis

	"Observer" Per cent	Indian Newspaper Per cent
Advertisements	42.2	31.8
Features	18.4	28
Home News	14	24.7
Arts	13.4	8.2
Foreign News	10.27	7.5
TOTAL	98.27 approx. (plus & minus)	100.2 approx. (plus & minus)

The "Observer" has 8 pages less than the Indian newspaper but its circulation is 564,000, while that of the Indian is 47,000, so that the British newspaper uses between seven and eight times more newsprint.

What enables a newspaper to sell cheaply is the revenue from the advertisements: these take up 42.2 per cent of the "Observer" and 31.8 per cent of the Indian paper.

Although the percentage of space occupied by each topic differs in each paper, the order of interest that the editors of both papers think their readers want is identical: (1) feature articles, (2) home news, (3) the arts, and, most significantly last, comes (4) foreign news.

The relative lack of interest in foreign news in all countries is a world phenomenon not grasped by the average man in any country, which simple fact plays a great part in causing international misunderstandings and irritation. At the present time, for example, Indians are (or, judging by the space allocated in the press, editors think they are) passionately interested in the Goanese and Kashmir problems, and they complain that the Indian viewpoint is not appreciated abroad. My tables explain why this is so. A few foreign experts may be interested in Goa but the gaze of the multitudinous many in all countries is concentrated on feature articles and home news. And please note that the editor of this leading Indian Sunday paper thinks that his readers (you) are even less interested in foreign affairs than the British editor, for whereas the "Observer" devotes 10.27 per cent of its space to foreign news, the Indian paper offers only 7.5 per cent. Moreover, these figures are perhaps misleading since of the Indian paper's 254.5 column inches of foreign news, no fewer than 49 are devoted to Pakistani affairs which might virtually rank with home news.

These tables suggest that Indian and British tastes in Sunday reading differ in some details, for whereas the Indian editor offers 204 inches on politics, 229 on miscellaneous news (mostly deadly serious home news—Congress party meetings, disturbances in university cities, the latest flood reports, etc.), and no less than 223 inches on finance, industry and markets, the "Observer" offers no political news at all—admittedly parliament was on holiday—(although 22 inches out of the 44 occupied by editorials dealt with two current political problems), miscellaneous news was only 71.5 inches (and much less stodgy than its Indian counterpart), and finance and industry a mere 33.5, whereas sport was 177 inches to India's 124.5. It is probable

that on a weekday British papers carry as much news about finance as any Indian paper—but not on Sundays.

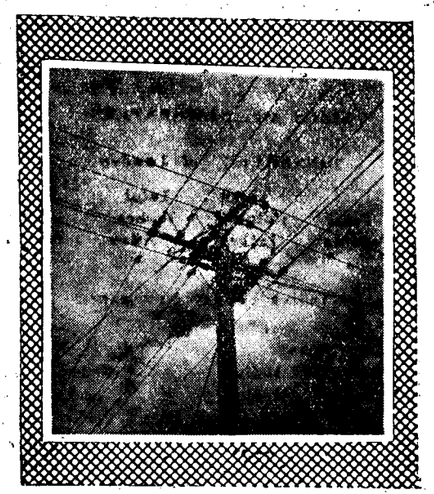
Both editors agree, however, that on a Sunday the bulk of their readers want to relax. Features and art together occupy 31.8 of the "Observer" and 36.2 per cent of the Indian space. But within these categories there are differences. Out of its 277 inches on the arts and 946.5 of features (a total of 1,223.5 inches), the Indian paper offers as much as 719 inches of feature articles, whereas the "Observer" spreads its 672 inches (arts 283 inches and features 390 inches) over a far greater variety of sub-heads. Criticisms of the ballet, of art exhibitions, of television and radio programmes, essays on country life (gardening, nature study, and hints for farmers on the care of cattle) have no place in the Indian paper, which also obviously has no woman on its staff to write the "Observer's" deft articles on clothes and cooking. (Do no Indian women read newspapers? If so, is this the fault of exclusively masculine editors?) Nor does the Indian paper offer relaxation by means of crossword puzzles, or bridge or chess problems to which the "Observer" allot 42 inches.

In contrast, the "Observer" has no short story or comic strips. The Indian paper offers 136 inches (i.e. 6 columns and 10 inches) of comic strips of which only one column originates in India—the rest are all American importations dealing with people and situations which I for one have never encountered in India.

Out of the Indian paper's 12 feature items, as many as 7 appear to emanate from the United States Information Services. These articles are unobjectionable and the propaganda is discreet, but I think it wrong to publish such articles without disclosing their origin so that the reader knows with what purpose they were written and can assess them accordingly. It is relevant to note that newspapers do not have to pay for articles received from foreign Information Services and the market for professional writers who have their livings to earn is narrowed to that extent. I might add that I have never seen a foreign "hand-out" published in any British or American newspaper.

Statistics tell you about quantities, not qualities, and another difference between the "Observer" and the Indian paper is that whereas most of the Indian news columns are filled with factual reporting, there is relatively little interpretative comment, and that little, with one or two exceptions, does not strike one as being on a high level. Too much political interpretation in all Indian papers follows slavishly the official lead given by the External Affairs Ministry or other official spokesman. On the other hand, the "Observer's" diplomatic and other special correspondents distinguish as a matter of course between (1) the facts, (2) what official policy is, and (3) what their own view is, and their interpretative comment is informed and experienced. This is a weakness that will, I anticipate, rectify itself in time as Indian newspaper circulations rise with increasing literacy, for then newspaper revenues will also rise and proprietors will be able to afford to attract a higher calibre of university graduate by offering salaries comparable to those earned in London or Washington. The diplomatic correspondent of the "Observer" is reputed to earn a salary of Rs. 20,000 a year plus the same amount again from free-lance broadcasting and television.

Study of my tables will reveal many other interesting points of contrast between British and Indian Sunday reading. I have only space left to point out that whereas the British press is often alleged to be unduly pre-occupied with crime, the Indian paper gives 41.5 inches to crime for which the "Observer" finds no space at all. Finally, I must apologise for a small margin of error that the eagle-eyed will detect in my percentages. This arose because my wife, myself, and the dherzi, were competing for the use of the one and only tape measure available to measure the newspapers. Some of my wife's dress measurements have got into this column and some of mine into her new dress.



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A DELHI DIARY

FAIRPLAY, PLEASE!

I WOULD like to have said that the proceedings of Parliament this week have provided reward enough for those of us who, for our past sins, have to follow proceedings there from day to day and even from hour to hour. Unhappily, this has not been a rewarding week. This was by no means because Parliament did not have matters of great interest both for jest and gestation. There has been the Press Commission's Report on which many good speeches were possible. On this, in particular, Members of Parliament have tended not merely to be unconstructive, but one might say that two members, in particular, were not a little naughty. Mr. T. N. Singh and Mr. Jaipal Singh chose the floor of the House to make accusations against the Chairman of the Press Trust of India, Mr. Devadas Gandhi, which seem to me to be both irrelevant and unfair. Readers of this Diary in the last few weeks will admit that I am not a loyal member of the profession, in that, unlike a good Trade Unionist, I do not stand up for my guild in season and out of season. In the present case, I must stand wholly with my side; I cannot help feeling that the Press and, in particular, Mr. Devadas Gandhi, who was not present to answer back in the House, should have received far more courteous treatment.

In the first place, it seems to me wholly irrelevant now as to what omissions and commissions were made in framing the Press Commission's Report. I have said before that, in my opinion, this is a fundamentally reasonable document although there are many particular sections of it, notably that which deals with the Press Trust of India, on which my appreciation would be qualified. But, in any case, the issues at stake are impersonal issues. They cannot be made to depend upon the point whether Mr. Devadas Gandhi was called once or called twice or called not at all, or that he said something about the Commission or did not say something about the Commission which was derogatory or otherwise. In his dignified statement which appeared in the papers of August 25, the Chairman of the P.T.I. has denied that he ever avoided seeing the Commission or declined co-operation, and in any case his written replies are judicial evidence of the fact of co-operation. Why then do two Members of the Press Commission who are also Members of the House choose to divert attention from the great theme of the reform of the Press to a personal attack?

I am not very concerned about the final decision on the Press Commission's Report. It may be that the Press is putting up a case which will not be acceptable to the country as a whole. But this is a democracy, and while the discussion is proceeding on the lines of civilised debate, the Press must resist the big stick of insinuation and personal bad faith. It is wholly right to make vigorous attacks on persons present in the House, preferably on those seated on what is called the Treasury Bench. But is it fair to hit at someone who is not there? I think not, even if the allegations are relevant.

BUSINESS AND LOVE

I fear that this was not the only instance when Parliament seemed to lose its sense of proportion. It seems to me that the clause in the Companies Bill providing a disqualification on a director's relatives becoming agents for a company was a wholly unjust, and even impractical, decision which is likely to do much damage unless the meaning of the word 'relative' is now redefined so completely as to make the clause redundant. I have been recently confronted with three or four happy possibilities, which are by no means imaginary. Consider the case of two directors not related in the manner suggested, but who become so related when, say, the son of one director elopes with or even (with due consent and form) marries the daughter of another. In the former case—with which I expect most Members of Parliament would be in sympathy, for all the world loves a brave lover—both parents might have no part in producing the relationship against which they are now to be penalised. Under the present clause, the whole structure of a company's business which always depends on personalities might be injured by this rigid exclusion. Boards of Directors might be broken up for no better reason than there was love at first or second sight! And is this not a terrible incursion into the private lives of sons and daughters?

I take off my (mythical) hat to Mr. Tulsidas Kilachand who fought a splendid rearguard action quite alone, moving a number of amendments to the clause that relatives should be excluded from the scope of the definition of "associates". He also asked the Finance Minister to consider whether the proposed definition of "associates" would not violate Articles 19(1)(g) of the Constitution which provided that citizens should have the right to practise any profession or carry on any occupation, trade or business. He said—in my opinion most properly—"if relationship is not a bar to any employment in Government service, it should not be a bar in the private sector". The Finance Minister made a clever interjection when he said that nobody is related to the Government, and Mr. Kilachand caused laughter by replying "What about the Ministers?" But under cover of this cheerful give and take, the fundamental point that a great injustice is being perpetrated by a wholly unnecessary piece of ideological tyranny was unhappily lost.

Who is to save small minorities in this country from this ideological tyranny which seems to start from the presumption that everyone rich or fortunately connected should be penalised by some means or other? If I might employ a Spoonerism—which Mr. A. C. Guha, Minister of Revenue and Defence Expenditure, emitted in the debate on the working of the Industrial Finance Corporation—I would say that, correct to subjection, I consider that it is grossly incorrect to employ subjection in this manner!

For the rest, the debate on the Companies Bill was notable only for the amazing progress recorded on Thursday. Dealing with less contentious sections of the Bill, 69 clauses went through in one day. As an example of planning, it was also announced that the programme for Friday was 55 clauses. Only one of the 69 clauses on Thursday produced an ideological stumbling block. The battle between the private and public sectors was represented by stalwarts, Mr. G. D. Somani on one side and Mr. Asoka Mehta on the other. Mr. Mehta seemed to think that if surplus funds could be utilised by industrial concerns for expanding in fields outside their original business a handful of companies could control all the industrial units in the country. The implication surely is that nobody else (not even the public sector) was likely to start industrial units. Was this a fair statement of the case? Curiously, the unfairness of it passed unnoticed when Mr. M. C. Shah replied. He supported the freedom of companies, but did not point out that the danger of concentration of power was much more with the State than in the hands of any possible group of companies. Could it be that the Finance Ministry chose not to see the mote in the private sector's eye only because of the beam in its own?

ARGUS.

4%

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Full particulars can be obtained at any of the offices of the Reserve Bank of India or Branches of the State Bank of India.

WORLDGRAM

AGRICULTURE

North India's Tea Output: For the second month in succession, North India produced a large tea crop in July 1955. The outturn for August 1955 is estimated at 99,600,000 lb. against 63,500,000 lb. in the previous month and 77,700,000 lb. in July last year. The total outturn during the current season up to the end of July is estimated at 194,900,000 lb. compared with 191,000,000 lb. in the corresponding period of last year, showing an increase of 3,900,000 lb. The outturn for the seven months ended July 1955, however, is 2,900,000 lb. lower than the average for the past three years, amounting to 197,800,000 lb.

*

'Isotopes' Use in Agriculture: Dr. R. A. Silow, of the Agricultural division of the United Nations Food and Agriculture Organisation has revealed that the value of atomic radiations lay partly in their ability to induce inherited changes in the germplash of plants and partly in their sterilizing effect on biological tissues. The plant breeder using isotopes was able to extend disease resistance and obtain a higher yield and earlier ripening. Radiation as a weapon in insect pest control had also been successfully demonstrated and storage life of foodstuffs increased by inhibiting such things as the sprouting of potatoes. Radioactive tracers had enabled studies which would have been otherwise impossible to be carried out on the relationship between animals, plants, soils and water.

*

Cotton Output in PEPSU and Punjab: Final figures now available of cotton production in Punjab, Pepsu and Ganganagar (Rajasthan) circle show an increase of 18.7 per cent over the last year. Total pressing in the 1954-55 season stood at 8.1 lakh bales as against 6.82 lakh bales in 1953-54. While production of staple varieties has shown an increase of 39 per cent, Desi cotton output shows a fall of 23 per cent over their respective figures of the last year. Production of staple varieties in 1954-55 stands at 6.40 lakh bales as against 4.60 lakh bales in the previous year. Figures for Bengal Desi are 1.7 lakh bales for the 1954-55 season as compared to 2.20 lakh bales in the preceding year.

*

Tobacco Production in Iraq: A long-term policy designed to develop tobacco cultivation in Northern Iraq and improve the manufacture of cigarettes, both for local consumption and for export has been put into force by the Government's Tobacco Monopoly Administration. The Iraqi Government is working hard to train tobacco farmers, to produce better quality tobacco, introducing agricultural machinery, sending young Iraqi farmers to Turkey and Greece for training and visiting tobacco farmers from Greece and Turkey in order to develop the cultivation of tobacco.

INDUSTRY

Ferro-Manganese Plant: The first plant to produce ferro-manganese in Bombay State will be erected in Dandeli in North Kanara. The factory which is expected to go into production by the end of next year will have an initial capacity of 12,000 tons but when energy from the Kanya project becomes available by 1960, the capacity will be stepped up by another 50,000 tons per year. Orders for the necessary machinery have already been placed with Norway. A new company by the name of Electro Metallurgical Works Ltd. is to be shortly floated to undertake the venture.

*

Protection Granted to Steel File Industry: The Government of India have accepted the Tariff Commission's main recommendation that the industry should be granted protection up to December 31, 1959. The rates of specific duties on steel files and rasps suggested by the Commission have been brought into force with immediate effect. The rates range from Rs. 7 per dozen for files of not less than 4" but less than 6" to Rs. 34 per dozen for files of not less than 16" and up to 18" inclusive. Steel files and rasps on which these specific rates of duty can be levied include saw files, but exclude jewellers' files, watch-makers, files, other needle files, mill tooth files, rotary power files and ampoule files. Government have also accepted the Commission's recommendation that the above rates of duty should be reviewed at the end of two years.

*

Sound Insulation of Houses and Schools: The Indian Standard Institution has circulated for eliciting comments, a draft Indian standard code of practice for sound insulation of houses, flats and schools. This standard code which has been prepared for adoption in India explains the principles of sound transmission and insulation and recommends methods by which recommended standards of sound conditions can be achieved by different types of construction. Optimum noise conditions for houses, flats and schools have also been recommended. As adjuncts to this code, the Functional Requirements of Buildings Sectional Committee, which prepared this draft code, is also engaged on the preparation of codes dealing with heat-insulation of buildings day-lighting, orientation, fire safety and structural safety of buildings.

*

Output of Coal in June 1955: The output of coal in collieries in India decreased from 3,174,749 tons in May 1955 to 3,074,672 tons in June, 1955, according to official statistics released by the Chief Inspector of Mines. Despatches of coal amounted to 2,658,339 tons in June 1955 as against 2,743,951 tons in the preceding month. Coal stocks at pitheads increased from 4,094,949 tons at the beginning of the month to 4,122,174 tons at the close of the month. Coke plants at collieries and elsewhere produced 342,104 tons of hard, soft and other kinds of coke during the month and despatched 146,761 tons.

TRADE

Britain's Oversea Trade in July: British exports recorded for July were worth £223,100,000, an increase of £66,100,000 over the figure for June but four per cent below the average monthly rate of exports in the first half-year. Figures for the balance of visible trade continued to be substantially affected by the recent strikes. Imports recorded for July were valued at £338,800,000—£44,800,000 more than in June, and seven per cent above the monthly average rate in the first half year. Recorded excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) was, in consequence, 107,800,000 compared with £128,900,000 in June and the monthly average of £75,600,000 in the first half year.

*

Iranian Foreign Trade: Iran's exports, excluding oil, in the fiscal year 1954-55 were valued at $130.2 million, an increase of 43 per cent over exports in 1953-54. Imports were valued at $210.8 million, having increased by 27 per cent. In order of importance, Iran's main suppliers were, Western Germany, Japan United Kingdom, the U.S.S.R. and India, and its principal customers were the U.S.S.R., France, Germany, Italy, the United States and Japan. The most important exports were cotton, dried fruits, carpets, petroleum, and rice and the chief imports were sugar, transportation equipment, cotton textiles, machinery and electrical appliances.

Sweden's Foreign Trade: Sweden's foreign trade in the first half of 1955 resulted in an import surplus of Kr. 985,000,000 as compared with Kr. 600,000,000 in January-June last year. Imports, which showed a peak of Kr. 926,000,000 in March and since then have gradually dwindled totalled Kr. 5,109,000,000 as against Kr. 4,395,000,000 for the first six months of 1954. Exports, on the upgrade since March, registered a peak of Kr. 774,000,000 in June and reached a total of Kr. 4,124,000,000 as against Kr. 3,795,000,000 last year.

*

Rising U.K. Bicycle Exports: Britain's exports of bicycles, motor cycle engines, electrical equipment, and tyres were substantially greater in the first six months of this year than in the corresponding period of 1954. Bicycle exports increased from 997,431, worth £13,600,000 to 1,096,926 worth £14,400,000. Exports of motorcycle engines, electrical equipment, and tyres were nearly £412,000 higher, at £2,181,826. During the same period, the number of complete motorcycles exported totalled 34,890, which, with parts, were worth £6,800,000.

*

Scotland's Export of Knitwear and Hosiery: Exports of hosiery and knitwear from the Border textile areas of Scotland totalled over £4,000,000 in value last year—an increase of £373,000 on 1953. These figures are given in the annual report of the South of Scotland Chamber of Commerce, which states that the demand for cashmere knitwear remains at a very high level. Commenting on the tweed trade, the report says that the U.S.A. and Canada are still the best export markets, and between them account for nearly 60 per cent of the area's exports. Western Europe comes next, with just over 30 per cent.

FINANCE

National Income of Middle Eastern Countries. During the post-war years national income in the Middle Eastern countries increased more than population, progress being more rapid since 1950, and mor marked in the oil industry than in any other sector of the economy. This report which was prepared by the U.N. Department of Economic Affairs includes a survey of post-war developments in selected countries, namely, Egypt, Iran, Iraq, Israel, Lebanon, Syria, and Turkey. It also includes a detailed, country-by-country study of transport in the reglon.

*

Capital Issues Control: Government of India granted consent to 48 applications from Joint Stock companies in the country for issue of capital amounting to about Rs. 36.15 crores during the quarter ended March, 1955. Of the 48 applications, 20 were from new companies for the total issue of capital amounting to Rs. 21.09 crores. The Indian Viscose Corporation Limited, with a total issue of Rs. 10 crores capital, figures prominently among the 20 companies.! The Rajasthan Udyog Limited, the Bharat Development Limited, the Assam Jute Mills Limited, and the Sahu Rayons Limited, with a capital issue of Rs. 3 crores, Rs. 1.25 crores, Rs. 2 crores and Rs. 1.5 crores respectively are among the 20 new companies which also include sugar factories, a concern manufacturing sodium and hydro sulphate, cotton spinning and weaving mills, manufacturers and dealers in milk products and printers and publishers etc.

*

Japan's Balance of Payments: According to Japan's Finance Ministry estimates, foreign exchange accounts—in July resulted in a surplus balance in succession to Jun of $40 million, there-by bringing the foreign exchange holdings at the month-end up to over $1,300 million, which is the post-war high and compares with $1,260 million at end-June and the previous peak $1,180 million at end-September, 1952. Balance of payments for the first half of the current fiscal year (April-September) is likely to end in a $130 million surplus.

*

Central Aid for Development of Handloom Industry: The Government of India have sanctioned further grants and loans totalling over Rs. 1,29,08,600 to eleven States for the development of the handloom industry. Madras gets a loan of nearly Rs. 63,94,000 and two grants of Rs. 26,10,500 and Rs. 66,200. Orissa has been sanctioned a loan of Rs. 6,96,000 and a grant of Rs. 3,81,692. Madhya Pradesh gets a loan of Rs. 6,40,500 and a grant of Rs. 3,42,500. Travancore-Cochin has been given a loan of Rs. 5,03,475 and a grant of Rs. 2,25,000. A loan of Rs. 4,65,000 and a grant of Rs. 36,600 have been sanction to Rajasthan. Punjab gets a grant of Rs. 1,30,000. Andhra gets a grant of Rs. 36,600. Ajmer has been given a loan of Rs. 32,250 and West Bengal a grant of Rs. 13,700. Delhi has ben sanctioned a grant of Rs. 11,425 and a loan of Rs. 9,625.

MISCELLANEOUS

Grow-More-Food Campaign: The increase in the country's food production due to the Grow-More-Food Scheme during the year 1953-54 was of the order of 7,21,569 tons over the base figure of 1952-53. The target for additional production during 1954-55 was 12,74,379 tons. The figures of actual achievement had, however, not been received so far. The amount spent on the Grow-More-Food Schemes during the year 1953-54 was Rs. 20,29,17,000. The amount sanctioned during 1954-55 was Rs. 33,37,17,000 but the actual figures of expenditure were not known yet. The total amount of loans and grants sanctioned as on August 1, 1955, was Rs. 23,30,69,000. Out of this, the biggest amount was given for irrigation, 1,371.64 lakhs having been given as loans and Rs. 146.64 lakhs as grant. For manures and fertilizers, Rs. 397.67 lakhs had been granted as loans and Rs. 27.20 lakhs as grant. For land improvement, loans amounting to Rs. 201.14 lakhs were given in addition to grants of Rs. 4.19 lakhs.

*

Thirty-sixth Lausanne National Fair: Once again Swiss manufacturers will be showing the world their latest lines at the Lausanne National Fair, which is to be held in the traditional month of September, this year from 10th to 25th. This grand exhibition will be based on the four principal groupings of the Swiss productive system: agriculture, from which the others took their rise, industry, whose products figure so largely at the Fair, and trade and handicrafts, where the emphasis will be on consumer goods. In 22 halls on a site measuring 134,000 sq. yards in area, 2,300 exhibitors from all parts of the country will show what the manufacturers, farmers and craftsmen have achieved in the course of the year and bring home to visitors the excellence of the Swiss design and workmanship. The 36th Lausanne Fair will include a fascinating pavilion where the astonishing possibilities of the new science of cybernetics will be exhibited in unprecedented detail.

*

Self-Sufficiency in Transparent Film Production: The Travancore Rayons Limited announce that their Expansion schemes in Transparent Paper production, taken up in 1954, are nearing completion. Improvements and modifications were carried out to their original Transparent Film plant, thereby putting up their production from 1¼ tons to 2 tons a day, with effect from March 1954. Now their second plant has begun functioning from March, 1955, the current production being in the neighbourhood of 3¾ tons a day. With the full development of their Preparatory and Auxiliary Plants, the production of transparent film is expected to exceed 5¾ tons a day by mid-September this year. It is reported that the Travancore Rayons are endeavouring to make India self-sufficient in this important packaging material.

NEWS IN BRIEF

INDIAN

Since 1949, 1,257 families, comprising some 4,900 persons, had been taken from the States of West Bengal, Travancore-Cochin and Madras and settled in the Andamans. Of these, 1,182 families came from West Bengal, 71 from Travancore-Cochin and 4 from Madras.

*

It is reported before the introduction of uniform retention prices, the average retention price allowed to Tatas was Rs. 331 per ton and to the Indian Iron and Steel Company Rs. 378 per ton. This retention price included production cost, depreciation, over-heads and a profit of 8 per cent on block.

*

A sum of Rs. 155 lakhs had been allotted to the Assam Government by the Government of India for the Welfare of the scheduled tribes in Assam during 1955-56.

*

The Government of India have sanctioned Rs. 16,48,000 for the construction of new buildings, renovation of existing buildings and for developing grounds at the site of the Indian Industries Fair to be held in New Delhi in October this year.

*

The Government of India have released 30,000 bales of Indian cotton stapling 26|32", as a special case, for export to China.

*

The Government of India have decided to exempt with immediate effect all articles of iron and steel falling under item 10(a) of the second schedule to the Indian Tariff Act, 1934, from payment of the whole of the export duty leviable thereon.

*

A vigorous programme for finding out new mineral oil deposits in Rajasthan, West Bengal and Assam has been launched by the Government of India.

*

During April and May this year, 1,769 goods wagons, 58 passenger coaches and 26 locomotives were manufactured in India.

*

A British firm has been provisionally selected as consultants for the construction of a dry dock at Visakapatnam. The firm has been asked to prepare a preliminary project Report.

*

The Central Government had incurred an expenditure of Rs. 1,02,32,926 on the development of small-scale industries up to August 12, 1955, since the beginning of the year.

*

An Indian firm is manufacturing tennis balls on an experimental basis and results of the experiments are reported to be encouraging.

*

About 80 per cent of the civil engineering works, required for setting up the Silver Refinery Plant was completed by the end of June, this year. Nearly 97 per cent of equipment required for the plant has been received from abroad and the rest is expected shortly.

FOREIGN

The co-operative agreement between Pakistan and United States covering research in the uses of atomic energy has been signed. The agreement was initiated on June 15, 1955.

*

A food processing company in America has developed a successful method of shipping frozen foods without supplemental refrigeration.

*

World production of natural rubber in the first half of this year, at 870,000 tons, was 75,000 tons below the consumption figure of 945,000 tons.

*

The United States has sent $1,068,315 to the United Nations Children's Fund as the second contribution to the fund for 1955. The initial U.S. payment for $2,048,025 was transmitted on 23rd May.

*

Coal production in the Republic of Korea amounted to 431,482 metric tons during the first months of 1955, an increase of 100.855 metric tons over the same period in 1954.

*

About 25 members of co-operatives from African countries and territories will attend a group training course in economic co-operation at Elsinor Denmark, under the Joint auspices of the Danish Government and the International Labour Organisation.

*

For the first time since the war, world agricultural production failed in 1954-55 to show an increase in comparison with the previous year, according to the 20-nation committee on Commodity Problems of the Food and Agriculture Organisation of the United Nations.

*

The International Bank for Reconstruction and Development reports a net income of $24.7 million for the fiscal year ended June 30, 1955 (compared with $20.3 million for the preceding year).

*

It is reported Canada's wheat acreage has this year dropped to a 12-year low at 21,504,000 acres, but coarse grain plantings have been higher.

*

British imports from Holland in the first half of the year increased by over £11 million to £61.8 million, compared with the first half of 1954. U.K. exports to Holland rose approximately £4 million to £53.9 million.

*

The U.S. gross national product—the annual output of goods and services—in the second quarter of 1955 was at an annual rate of $385,000 million.

*

During the first six months of this year, about 30,000 wireless sets were produced in Yugoslavia. Before the war, Yugoslavia did not make wireless sets, and the annual production in the 1948-54 period ranged between 23,000 to 37,000.

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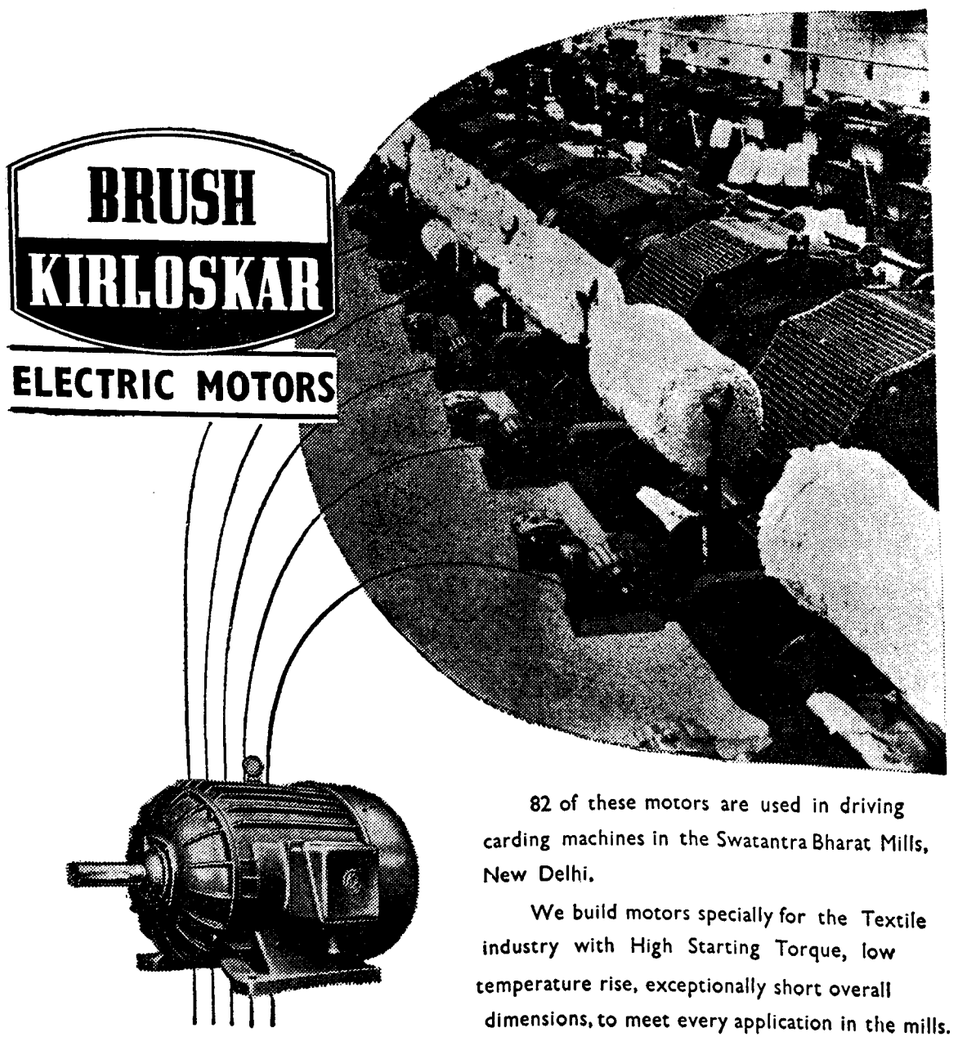
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BY

CROESUS

IT does not look as though the course of 'Oriental's mutualisation scheme is destined to run smooth. After the publication of the scheme and the lengthy circular issued recently by the Chairman of the 'Oriental' explaining the terms of mutualisation and the strong rumours that the Government of India in the Finance Ministry had already approved of the scheme, it was assumed that all was well with the mutualisation move, although there have been murmurs that the terms are far from fair to the policyholders. There were also reports that differences of opinion on the subject existed among the directors of the company and it was being strongly rumoured at one time that Sir Purshotamdas Thakurdas, the then Chairman of the Board, was not in favour of the idea. This has since been confirmed by a letter (published in the "Times of India") which Sir Purshotamdas has written to the Controller of Insurance categorically stating that he had to sever his connections with the Company owing to differences with the Board over the procedure adopted in respect of the mutualisation scheme. The ex-Chief of the 'Oriental' has made it clear that his letter to the Controller is in his capacity as a policyholder.

Sir Purshotamdas' objection, according to his letter, it is significant, is to 'the procedure' adopted in respect of the mutualisation scheme. It is his contention that, inasmuch as a very large amount that the 'Oriental' holds today in its life fund belongs to its policyholders, it is grossly unfair that the scheme should not have been even referred by the Directors of the 'Oriental' to the policyholders of that Company before applying to the Government for final sanction. There is point in this contention but an equally strong point on which one would have thought Sir Purshotamdas to object to the scheme was the terms of the mutualisation scheme which offer to the shareholders of the Company a compensation of as much as Rs. 8,800 per share. One would have very much liked to know his views on this aspect of the mutualisation scheme.

It might be argued, as indeed it would appear to have been done, according to Sir Purshotamdas, that the Directors were not under an obligation to refer the matter to the policyholders under the Articles of Association. The Board might as well have argued that, since the Company was in any case going to be made over to the policyholders and the policyholders would become the sole proprietors under the scheme, there was no need whatsoever to refer the matter to them. But all insurance companies, it should be remembered, do certain things even when they are not required to do so under the law, presumably to win the goodwill of policyholders. For example, every insurance company makes it a point to send premium notices to its policyholders and the notice prominently features the fact that the Company is not bound to issue such notices. This only shows that, by reason of the vital importance of policyholders to an insurance company, insurers consider it in their own interest to seek and secure the goodwill of policyholders. Accordingly, even though the Articles of Association of the 'Oriental' may not make it obligatory on the part of the directors to refer the mutualisation scheme to the policyholders, they might have it only, as a gesture, convened a meeting of policyholders, even as they convene meetings for electing policyholders' directors, and got their approval or blessings to the scheme. Possibly the directors did not feel that this was called for after they had fully convinced the Government of the 'bona fides' of their scheme. After all, Government and, in particular, the Controller of Insurance, are supposed to be there to safeguard the interests of policyholders. However, according to strong rumours prevailing in Delhi, the mutualisation scheme does not have the unqualified approval of even all the Cabinet Ministers. Some of them believed to be of the view that the scheme is nothing short of robbing the policyholders.

It is admittedly against this known undercurrent of distrust of, and resentment towards, the mutualisation scheme that the present Chairman of the 'Oriental' Sir Cowasji Jehangir felt it necessary to devote a major portion of his speech at the last annual general meeting of the shareholders to explain at length the terms of the mutualisation scheme. But, this speech would have been more appropriately addressed to a meeting of policyholders. Surely, Sir Cawasji could not have expected any shareholder to object to the mutualisation terms, which are admitted on all hands to be extremely favourable to shareholders. All the same, it must be said to the credit of the present Board of Directors of the 'Oriental' that they have not completely barred the door against the policyholders' right of approach to the concerned quarters on this subject. As Sir Cawasji made it clear in his speech, the scheme is being given the widest publicity and it is open to any policyholder of the 'Oriental' to write to the Controller of Insurance voicing his objections to the mutualisation scheme, and enough time has also been given, in that the last date for sending any objection is to be September 30th. The precise extent of opposition to the 'Oriental's' mutualisation scheme will only become known after September 30th. But, in the absence of any organised body of policyholders as in the case of shareholders such as the Bombay Shareholders' Association, it is doubtful whether there would at all be much effective opposition.

More light has been thrown on this issue by Sir Cawasji Jehangir who has released to the Press a letter addressed by the Company, on behalf of the Board of Directors, to the Controller of Insurance, in which he has categorically declared that the reason given by Sir Purshotamdas Thakurdas for his resignation is not the refusal of the Directors to refer the mutualisation scheme to the policyholders as has been alleged by the latter. On the other hand, he points out that not only did Sir Purshotamdas preside over most of the meetings which considered the mutualisation scheme but was also present at the last meeting that finally decided on mutualisation. Accordingly, he states, "the directors are surprised that he (Sir Purshotamdas) should now contend that this was the reason for his resignation. Our records show that this is not a fact". Further, Sir Cawasji points out that "the question of placing the scheme before the policyholders for their approval is raised for the first time in his letter to yourself" (Controller of Insurance).

In the light of this high-level controversy which, to say the least, is most deplorable, it would be difficult for policyholders to know the precise position.

Since, in any case, the matter has now been referred to the Controller of Insurance, may it be suggested that this Official not only considers any protest that he may receive from policyholders but also looks into the allegations and counter-allegations of the ex-Chairman and the Chairman of the Company and places before the policyholders a true and correct statement of the position?

HURDLES BEFORE EXPORT INDUSTRIES

By

CROESUS

RECENTLY the Union Ministry of Commerce and Industry issued a Press note seeking information from Indian exporters regarding the extent to which exports of Indian goods are being seriously handicapped by high tariffs in other countries with a view to considering the desirability of offering tariff concessions to secure a lowering of such duties by the importing countries. This should have brought in a flood of literature on the subject because pratically every exporting interest has one or other handicap, some minor and some major, to contend with.

Broadly speaking, the difficulties of exporters may be classified under two heads, (1) those that are peculiar to old and established industries and (ii) those that relate to new but highly promising export industries. It is needless to say that, when attempts are being made to diversify the country's exports, greater attention must be paid to the problems of the second category of industries. If these industries have to be encouraged to maximise their exports and thereby add to the foreign exchange resources of the country in a substantial measure, a detailed study must be made of the internal demand for their products, the competition between foreign producers and Indian producers in the indigenous market and the extent of competition in markets which might hold out potentialities for the Indian industry. Unfortunately, however, one does not as yet see much evidence of such an integrated approach to the problem of new export industries in the country.

Let us take, for example, the linoleum industry. In less than five years of its establishment, it is noteworthy, this industry has shown clear evidences of its export potentialities. Given adequate encouragement, therefore, one can visualise that this industry will be a very important source of earning of foreign exchange in the near future. Of course, there are limits even to what the Government may do in respect of foreign markets which show preference to non-Indian goods. It may, however, be submitted that, if such discrimination exists amongst Commonwealth countries, it should not be impossible for the Government of India at least to take it up with the governments of the countries concerned primarily and with the U.K. Government generally so as to remove any glaring discrimination that may exist against Indian goods. This task assumes special importance if it is established in respect of any industry that the presence of such discrimination is the main stumbling block in the way of the exports of that particular industry. All these, it may be mentioned, apply in the case of the linoleum industry.

After a survey of the markets for linoleum in the South-East Asian regions and Australia and New Zealand, the spokesmen of the industry have come to the conclusion that, in the whole of the region, the biggest importers of linoleum are Australia and New Zealand. It would be pertinent, therefore, to study the trend of linoleum exports to these countries over the past two years. The table at the end shows exports of linoleum from different countries to Australia and New Zealand:

It will be seen, whereas there has been a strident increase in export of linoleum from India to New Zealand over the period, there has been hardly any progress in regard to exports to Australia. For the same period, however, the U.K. has not only increased its exports to New Zealand but also doubled (nearly) its exports to Australia. The explanation for this glaring disparity in performance between the U.K. and India is not the inferiority of the quality of Indian linoleum, nor is it, for that matter, the lack of energetic measures to build up a market in Australia by the Indian linoleum interests, but it is the existence of a very heavy import duty of as much as 42½ per cent which includes a primage of 10 per cent on Indian linoleum. As against this, the U.K. linoleum have only to bear a duty of 17½ per cent. Surely, the older and relatively better established linoleum industry in the U.K. does not require to be sheltered by protection in the form of a 25 per cent lower duty as against the infant Indian linoleum industry, It must, however, be conceded that this is an anomaly of the Imperial Preference times. It is interesting to point out here that, at the time Imperial Preference was negotiated, India was not a manufacturer, and so not an exporter either, of linoleum. As a result of the change in the conditions since, it seems necessary to review the whole position, in consultation with the Government of Australia and the British Government. Fortunately, India's relations with both these countries today are most cordial, and so a tripartite talk on the question should not fail to yield quick and satisfactory results.

		To Australia (Qty. sq. yds.)	To Australia (Value £)	To New Zealand (Qty. sq. yds.)	To New Zealand (Value £)
U.K.	1953	46,67,329	13,47,661	29,65,228	6,69,617
„	1954	82,31,730	23,06,724	35,73,475	7,81,970
India	1953	Nil	Nil	45,920	13,578
„	1954	Nil	Nil	1,01,101	22,854

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Economic Report from the U. S.

"ESCAPE CLAUSE" IN U.S. TRADE AGREEMENTS ACT

(By Guy Sims Fitch)

WASHINGTON, August 23.—Attention of world traders has focussed once again on Section 7 of the United States Trade Agreements Act. It was under this section, embodying the so-called "escape clause," that President Eisenhower a few days ago authorized an increase in U.S. tariffs on imported bicycles.

In itself, the escape clause is a simple statement to the effect that reciprocal tariff reductions negotiated by the United States with other countries may be modified if these reductions cause or threaten serious injury to domestic producers. It first appeared in a Trade Agreement in 1942. By executive decision in 1948, negotiators began to include it in other agreements. By Act of Congress in 1951, its inclusion in all reciprocal agreements was made mandatory. In a sense, the escape clause is merely an extension of other types of national protection—involving such matters as health and welfare—that have been written into U.S. Trade Agreements since the start of the reciprocal trade programme in 1934. There is little doubt, however, that many traders in the United States and other countries view it as a particularly onerous form of protection—one that robs the trade programme of the stability it needs for the steady expansion of international commerce.

But in the eyes of American manufacturers, the clause gives a measure of needed flexibility to trade relations. More than a few proponents of liberalized trade programmes are willing to concede that governments might be more reluctant to make substantial trade concessions if their commitments could not be modified when necessary. It is well to remember, in this connection, that Article 19 of the 34-Nation General Agreement on Tariffs and Trade (GATT) also contains an escape clause similar to that found in the U.S. Trade Agreement Act. Like Section 7 of the U.S. Law, Article 19 is an emergency measure to cope with special and unforeseen circumstances—the rare exception to the basic and continuing policy of reducing trade barriers. The U.S. escape clause record bears this out. Since 1948, tens of thousands of tariff concessions have been granted by the United States, while fewer than 60 applications for relief have been investigated by the Tariff Commission—the agency that rules on the extent of domestic injury. Of these, the Commission has recommended relief in only 17 cases, and the President—the final judge—has approved only six. Since taking office in January 1953, President Eisenhower has rejected eight and approved only three affirmative recommendations by the Commission—those on clover seed, watches and bicycles.

In the bicycle case, as in nearly all the others approved, the American manufacturers were granted far less in the way of relief than they had requested. Instead of a tariff increase that would restore the full 30 per cent in effect before 1939, the President approved new rates ranging from 11.25 to 22.5 per cent. And he and the Tariff Commission flatly rejected any idea of import quotas—that most restrictive of trade barriers. Ad hominem arguments seldom meet the merits of any case. But American bicycle makers have claimed that most other nations accord far greater protection to bicycle manufacturers in the way of tariffs, subsidies and licences than does the United States.

All this may be small solace to foreign interests who may feel that a broad American market they helped create for themselves is being narrowed. But it may help put into better perspective the fact that the escape clause is a legitimate mechanism to prevent serious injury, not a device to relieve domestic producers of the incentive to meet foreign competition. It also is worth noting that the United States has made it a practice to grant compensatory concessions to other countries for those withdrawn or modified under escape clause procedures. U.S. officials have made it clear that they intend to negotiate compensatory tariff reductions with bicycle exporting countries as soon as practicable. This can be done bilaterally or as part of a new round of multilateral negotiations under GATT.

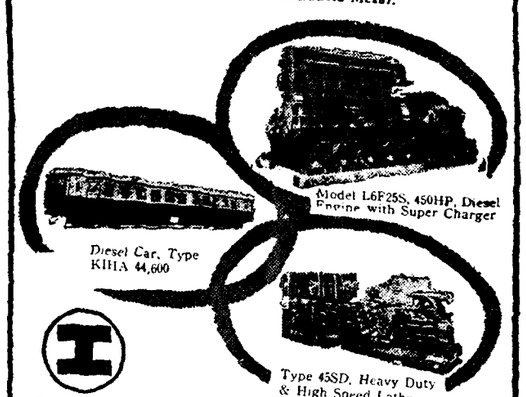
The United States, which has been a party to the General Agreement since its inception in 1947, already has announced its willingness to take part in a new round of GATT negotiations early next year. This also will present the U.S. government with an opportunity to put to broad basis the new tariff-cutting powers authorized by Congress last June, when it extended the U.S. Trade Agreements Programme for another three years.

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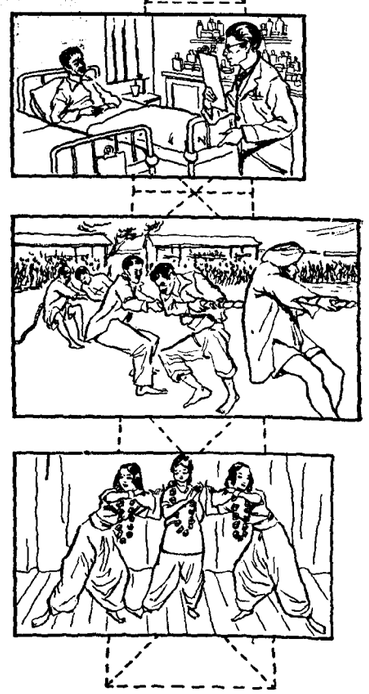
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BUSINESS NOTES

ESCAPE FOR BICYCLES

YET ANOTHER breach was caused in the United States "firmly rooted policy" of expanding and liberalising international trade, when, on August 19 last, President Eisenhower gave approval to the Tariff Commission's recommendation to effect a substantial increase in the rates of duty on imported bicycles. This deviation from avowed policy, coming so soon after the historic case of high tariffs on watches (hitting the premier export industry of a small country, whose economy is delicately balanced on export industry) raises the number of occasions on which emergency powers under the escape clause were invoked to six since 1948. It ought to be recorded in fairness to President Eisenhower and President Truman, however, that they resisted all pressure from influential champions of high protectionism and kept the number of compromises to six only.

The crucial issue, however, is; Was the case of the bicycle industry of such vital and strategic importance to the economy of the United States as to merit the application of special reserve powers in flat contradiction of a policy which the U.S. Government is urging so forcefully on other countries? Nor does the trend of foreign competition in the U.S. market for bicycles offer any cogent defence for the extra-ordinary course adopted. It is fallacious to emphasize that the share of imported bicycles in the U.S. market shot up from 2 per cent in 1949 to 40 per cent in 1954. In 1949 European economies were too submerged in the task of rehabilitation to think seriously of their export industries. It is significant that the U.S. tariff rates on bicycles have remained unchanged at 15 per cent since 1939, except for the fact that the rates were cut down to 7.5 per cent for certain types which were relatively immune from competition from abroad. If, therefore, home-made bicycles lost 25 per cent of their share of the market in 1954, as compared to the previous year, the explanation is to be sought in the competitive efficiency of the industry abroad. To invoke the plea of serious injury or threat of serious injury to domestic industry from imports in the case of a minor industry will easily open the way for practical reversal of a sound policy.

STATE LOANS' SUCCESS

THANKS to the proper timing and to the large developmental outlay under the Five-Year Plan, the ten State loans had a splendid response. The success of these loans for an aggregate amount of Rs. 35.75 crores speaks for the soundness of the credit structure in India. This success was particularly marked in the case of the Bombay and the Madras loans (Rs. 600 lakhs and Rs. 700 lakhs respectively), which were oversubscribed on the opening day itself (16-8-1955) and that notwithstanding the fact that banks, markets and other financial institutions were paralysed in Bombay by a city-wide hartal of unprecedented magnitude.

All the loans carry 4 per cent interest and are repayable in 1967 on the individual credit of the States. The terms vary from par issue in the case of Bombay and West Bengal to a discount of one rupees in the case of Bihar, Hyderabad, Mysore, and Saurashtra, and the amounts from Rs. 1 crore for Madhya Pradesh to Rs. 7 crores for Madras. There were conversion facilities for the Bombay, Madras, Madhya Pradesh, and Mysore loans.

The pull on funds on account of the loans were reflected in a jump in the inter-bank call money rate from 2¼ per cent to 3 per cent during the week. The early closure of the loans is ascribed partly to the intensive drive for several weeks before their offer to the market. The reutrn of cash on small holdings of the Imperial Bank also materially helped the issues.

The overnight decision to close the list of the Bombay loan disappointed many prospective investors but it was possible that a part of the unfulfilled demand for the Bombay and the Madras loans may have been diverted to the remaining loans. Hardly four days after the floatation dates, the Bombay loan started to command a premium of 12 annas (buyers) (that is on Saturday 20-8-1955) and the Madras loan had buyers around par (which implies a premium of four annas). Saurashtra changed hands at a premium of two annas. The exceptional response to the Madras loan was probably due to the technique of broadening mass support, initiated by Rajaji a few years back. Though it was originally planned to accept only applications up to one lakh of rupees, it has now been decided that subscribers in cash over one lakh of rupees also will receive allotment; the former course of action would, of course, have meant the penalisation of institutional investors albeit unwittingly.

The following table indicates the response to the loans, including the four cash-cum-conversion loans:

SUBSCRIPTION

Loans	Amount	Total	Cash	Conversion
		(Figures in lakhs of rupees)		
4% Bombay	600	869.868	821.535	48.333
„ Madras	700	1,418.954	1,363.414	55.540
„ Mysore	275	353.029	277.153	75.876
„ M. Pradesh	100	144.845	111.372	33.473
„ Andhra	250	483.093	483.093	—
„ Saurashtra	200	260.628	260.628	—
„ U. Pradesh	600	677.620	677.620	—
„ W. Bengal	500	558.308	558.308	—
„ Hyderabad	200	211.574	211.574	—
„ Bihar	100	153.810	153.810	—

In the case of Bombay, allotment is 75 per cent, Andhra 55 per cent, Madhya Pradesh 70 per cent, Mysore 80 per cent and Saurashtra 85 per cent. Subscribers to West Bengal, Uttar Pradesh, Hyderabad and Bihar loans will receive full allotment. The State governments have reserved to themselves the right to exercise their option to retain 10 per cent in excess of the target figure.

Owing mainly to heavy withdrawals made to finance subscriptions to new loans, conditions in the Bombay short-term money market remained stringent during the week and banks had to turn either to the Reserve Bank or to the State Banks for temporary accommodation. The position will of course alter when the subscriptions tendered for the loans in excess of the requirements are released. From the total figures of response, it is evident that the institutional investors will get refunds to the tune of several crores.

COTTON CURTAIN LIFTED

WITH THE release of the American plan for disposal of its surplus cotton on August 13, the cotton curtain has at long last been lifted, almost but not quite. For the announcement has not made it clear whether there is going to be a U.S. export subsidy, an issue which has been mainly responsible for hampering dealings in cotton futures markets all the world over.

The actual announcement of the U.S. cotton policy contains nothing sensational. It is more or less in line with what has been generally anticipated by cotton men. Thus, it was thought, as early as in the middle of June last, that it was almost certain the disposal programme would provide for the sale of Government owned surplus cotton on world markets at world prices. It was also foreseen that the sale of Government-owned cotton in domestic markets would be so arranged as to protect the American cotton textile industry from the effects of selling cotton to foreign competitors at a lower price than the one at which

American mills could buy their cotton. Further, the Agriculture Secretary Mr. Benson's assurance that "dumping formed no part of disposal plans for the cotton year just opened" was only a reiteration of what President Eisenhower had said as far back as September last, when he emphasised that the United States would not allow the use of its agricultural surpluses in such a way as to impair the traditional position of friendly countries by disrupting world prices of agricultural commodities.

In these circumstances, it is no wonder that Mr. Benson's offer has been characterised as 'not very attractive'. Thus, the Director of the British Federation of Master Cotton Spinner's stated that Americans have been piling up stocks of their short-Staple cotton that nobody has wanted to buy, and, generally speaking, the offer of Mr. Benson does not sound very attractive. He further added that the American plan for the disposal of surplus cotton would not cause any great excitement in Lancashire. In sharp contrast to this rather cynical view, the American Ambassador to Egypt has hailed the U.S. cotton export policy as a stabilising influence on world cotton markets. He seems to derive comfort from the fact that there will be no dumping of American cotton on world markets in competition with Egyptian cotton. It would also seem that Mr. Benson's statement that there is to be "no material change" in export policy has been construed as an assurance that subsidization of exports will not be resumed, at any rate, not before August 1, 1956. However, the fact that the major question of U.S. export subsidy is still kept in suspense is a significant omission.

Meanwhile, the cotton futures market in Bombay, which had for long been subject to wide fluctuations on account of the uncertainty surrounding the American export policy, has completely ignored the U.S. cotton policy statement. Evidently, India, which can claim to have the cheapest of cheap cottons need have no fears consequent on America's decision to market 'gradually at competitive world prices' up to 1,000,000 bales of lower-quality short staple cotton. As a matter of fact, the market here witnessed a spectacular jump of nearly forty points in a single day on Thursday in the maturing August contract. To the extent, therefore, that the air has been cleared of much of the uncertainty about U.S. cotton policy, Mr. Benson's announcement may be said to have contributed towards stabilising world cotton markets. However, in the event of there being or export subsidy at all, the possibility of a gradual decline in world raw cotton prices cannot be ruled out.

The need for keeping a close liaison between exporters and importers with a view to bringing down the ultimate price to the consumer to the lowest level possible has been brought out by the Textile Export Promotion Council in the course of an admirable analysis of the Afghanistan market for cotton textiles in the latest issue of "Texprocil."

India, contributing nearly 70 per cent of Afghan requirements of cotton textiles, has been the leading supplier of cotton piecegoods to Afghanistan for many years. This has been possibly due to the age-old trade accord between the two countries, assisted, no doubt, by the large intake of Afghan produce like dry fruits by India. However, this happy state of affairs has been marred lately by the entry of rivals in the field such as the U.S.S.R., Japan, and Pakistan, textiles from which countries have started flowing also Afghanistan since 1954.

India's monopolistic hold on Afghanistan textile market has been especially and mainly challenged by Russia, closely followed, of course, by Japan. For obvious reasons, Pakistan has met with little success in her efforts to establish her textiles in Afghanistan. Thanks to her geographical proximity with Afghanistan, Russia is certainly in an advantageous position, in that she has no transport difficulties, unlike other supplying countries whose goods have to pass through Pakistan, which means a delay of atleast three to five months. The transport problem has been further aggravated by the political tension between Afghanistan and Pakistan. In the event, Indian goods are reported to be lying in Karachi for over three months now awaiting transhipment to Afghanistan. With a view to overcoming this bottleneck, Japanese textiles destined for Afghanistan are reported to have been shipped through the port of Dubai in Persian Gulf from where it is redirected to Afghanistan. The Textile Export Promotion Council has drawn the attention of Indian exporters to explore the possibilities of following a similar procedure, if feasible.

Apart from the advantage of geographical proximity that Russia has in relation to Afghanistan, trade between the two countries is also smoothened further, we are told, by the fact that the deals are mostly on a Government-to-Government basis, all the textiles imported from Russia being stored in a Government depot at Kabul. The Afghan Government then fixes a wholesale price, it is stated, and thereafter, the retailers draw their requirements from the Depot as and when needed. This system, it is claimed, ensures a reduction in the ultimate cost of cloth to the consumer and has been recommended for adoption by India by the Texprocil. When State trading is so much in fashion these days, this is understandable, but the implications need going into carefully.

As in this country, there are evident signs in Afghanistan also of a drive to eliminate middlemen from the trade by organising State monopolies. Only textiles from the U.S.S.R. have been brought under this scheme so far, and the limited experience thus far seems to have imposed both the Afghan Government and the retaile trade.

THE AHMEDABAD FORMULA AND AFTER

ALTHOUGH THE general provisions of the bonus agreement of 27th June between the Ahmedabad Millowners' Association and the 80,000-strong Textile Labour Association have been opposed by thirteen member-mills, news of a similar accord at Indore seems to show that the principle has apparently caught on.

According to the formula laid down by the Labour Appellate Tribunal decision of 1950 in the case between the Millowners' Association, Bombay and the Rashtriya Mill Mazdoor Sangh, and the decision of the Supreme Court in Civil Appeal No. 135 of 1951 (Muir Mills Ltd., Kanpur Vs. Suti Mill Mazdoor Union and the State of U.P.), it may be remembered, the claims of the employees for bonus arise only if there is an available surplus of profit after making provision for all the prior charges, including a fair return on paid-up capital (six per cent) and on reserves employed as working capital (two per cent). The Ahmedabad agreement, however, provides that a mill whose profit is not adequate form meeting the prior charges or even a mill which has made a loss, will, as a special case, pay its employees a minimum bonus of 4.8 per cent of the basic wages. One provision of the agreement, however, lays down that such a mill shall be entitled to set off the amount thus paid against the amount of bonus payable in subsequent years; on the other hand, if a mill has an available surplus adequate to pay bonus at a higher rate than the ceiling of 25 per cent, it should set aside a part of the residue (not exceeding 25 per cent of the basic wages) as a reserve for purposes of "set-on" in later years.

The agreement between the Madhya Bharat Millowners' Association and the INTUC signed on Independence Day (15-8-1955) broadly follows the Ahmedabad pattern, which itself, according to a press report, seems to have been borrowed from an earlier accord at Indore when the textile workers were paid bonus

for 1950, 1951 and 1952. It is to be given effect to retrospectively from 1953 and will ensure a minimum bonus of 15 days' basic wages (or 4.8 per cent) for five years to the 25,000 textile workers of Indore. It will involve a total additional bill Rs. 35 lakhs to the millowners for five years. The agreement is significant because, it seeks to establish by precedent and not a judicial industrial tribunal award for a second time, the principle of paying bonus to workers, irrespective of considerations of profit or loss by the management. The Bombay textile strike of 1950 was due to labour's demand of a similar nature, that is, for the creation by the industry of a bonus pool out of which bonus was to be distributed to all the workers whether the constituent units individually made profits or not.

TREND OF TEXTILE OUTPUT AND EXPORTS

IN LINE with the great strides that have been made in the production of cotton, the production of both cotton cloth and yarn has also been steadily mounting up. In fact. the latest provisional figures for the month of July put both cloth and yarn production at a record level for the year at 446 million yards and 144 million lbs, respectively.

The performance on the export front has also been, on the whole, satisfactory, though the total quantum of exports has not yet reached the pace witnessed in 1954. Thus, during the first six months of 1955, the offtake of cotton piecegoods aggregated only 398.36 million yards as against 425.37 million yards recorded in the corresponding period of 1954. However, it is significant to note that, as against a decline in the first quarter of 1955 of 42.67 million yards, the second quarter accounts for only a fall of 27.01 million yards.

A varietywise break-up of figures relating to exports of cotton piecegoods for the period between January and July, 1955, discloses that greater preference is being shown by overseas buyers to medium cloth, the export of which has improved from 52.08 million yards in month of June to 54.54 million yards in July. Again, the aggregate total export of medium cloth for the seventh-month period at 370.13 million yards shows an excess of 14.13 million yards over the figure for the corresponding period in the previous year. In contrast, the quantum of exports of fine cloth has been steadily declining and is less than half of what was recorded in 1954, the relevant figures being 23.83 million yards and 54 million yards, respectively.

It is interesting to see that British East Africa and Indonesia have stolen a march over the traditional first and second placeholders among the ten main markets that account for Indian cotton piecegoods. Thus, during the month of June, British East Africa with 8.88 million yards and Indonesia with 8.54 million yards succeeded in pushing down the list both the U.K. and Sudan, the relevant figures of consumption of cotton piecegoods by the latter two being 7.16 million yards and 6.59 million yards, respectively.

HANDICAPS TO EXPORT-IMPORT TRADE

SOME Of the handicaps suffered by the mercantile community in export-import business were spotlighted on Friday by the Import-Export sub-Committee of the Indian Merchants' Chamber in Bombay, which met Mr. S. N. Bilgrami, Chief Controller of Imports and Exports, Government of India. The system of canalisation of imports through Government-sponsored agencies in respect of certain industrial raw materials was taken strong exception to by the commercial community, who maintained that such canalisation deprived the established trade channels of their traditional import lines and made short work of the element of healthy competition. Other matters that were brought to the notice of the Chief Controller of Imports and Exports included the procedure in respect of transfer of quota rights, ad hoc licensing, need for co-ordination between the Import Trade Control and the Customs authorities, procedure for grant of import licences under the import promotion scheme, system of grant of export licences and the need for simultaneous announcement of export policy at all ports.

A familiar complaint of the mercantile community in regard to exports has been the invariable delay in the announcement of export policy. And the the practice of announcing quotas by instalments—granted their merits—invariably spells considerable hardship to shippers. For new quotas are not usally announced sufficiently well in advance of the expiry of the validity period of the previous quotas, thereby preventing any continuity in the export policy. There is always a period between two announcements when the trade is in a state of suspended animation and is, therefore, unable to enter into fresh commitments with foreign buyers, with the result that suppliers from other countries are enabled to steal a march over Indian exporters. Unless the Government is quick in remedying this lacuna, the Government's oft repeated export promotion scheme will fall flat on the market. In this connection, the sudden outburst of export enquiries witnessed in the past few days in the spot cotton market, following the confidence of the market that the U.S. cotton subsidy plan is shelved 'finally', provides a green signal for a further export quota announcement in respect of cotton.

EMPIRE'S RAPID REHABILITATION

MR. R. VARADACHARI'S speech at the recent annual general meeting of the shareholders of the Empire of India Life Assurance Company strikes quite a different note from that of several other presidential speeches at insurance companies' meetings. The administrator scrupulously refrains from creating any feeling of self-complacency about the plausible prosperity in new business registered in 1954. On the other hand, he reminds the shareholders of a critical phase of cut-throat competition introduced by rate reductions and aggravated by the race for bonus declaration. If the performance of life companies in respect of new business in the last year is judged on the basis of what really amounts to conversion of old policies and genuine new business, the enormity of loss caused by the former would be clear. The hasty policy of rate reduction, impelled by short-sighted considerations, has inflicted injury especially upon smaller insurers which it must take several years to repair. There is no going back on it now and one way in which the vigour of competition can be mitigated is to tap the semi-urban and ruarl areas for new business.

Empire's rapid progress in reconstruction is to be read in the statistical account of the last year. But its major achievements deserve brief reference. The overall expense ratio was reduced in 1954 to 28.40 per cent (an improvement of 5.26 per cent in five years), the renewal expense ratio has been brought down to 18.61 per cent, the past four years have been devoted to restoring stability to the company's finances, a sizable reserve of Rs. 116 lakhs has been built as insurance against losses from investments, top-heavy administration has been rationalised and contentment of staff has been secured by conferment of graded scales of pay for the first time as also increased allowances. The legacy left by the previous management is being wiped out and rationalisation of its financial working is proceeding satisfactorily.

DHRANGADHRA CHEMICAL'S PROSPECTUS—A CORRECTION

A PRINTING error has crept in the abridged summary of the prospectus of the Dhrangadhra Chemical Works Ltd. published in the issue of this journal dated August 5, 1955, on page 212 in line 9 from the bottom in the first column. For "Sugar-tax" please read "Super-tax".

COMPANY AFFAIRS

TATA OIL MILLS LIMITED

The working results of the Tata Oil Mills Company Ltd., for the year ended March 1955 show a fall in disposable profits at Rs. 7.08 lakhs against Rs. 7.75 lakhs in the previous year. According to the Directors' reports this decline is mainly due to the heavy excise duty on soap introduced in the 1954 budget (total liability of the company on this account equalling Rs. 21.34 lakhs) and the prolonged strike at Tatapuram from November (costing about Rs. 1.5 lakhs) as well as reduction in the sales of glycerine. There was a higher provision for taxes at Rs. 2.49 lakhs against Rs. 1.35 lakhs in the previous year owing to an estimated reduction in depreciation allowances under the Income-tax Act.

The results would have been worse still but for the operation of one important favourable factor, namely a considerable fall in the prices of groundnut, coconut and mowra oils, the price of groundnut oil falling by as much as 38 per cent. This, by itself, however, was not able to save the situation, as prices of soap had to be cut following similar reduction by the company's main competitors.

The cumulative effect of all these was: (i) the managing agents' commission had to be pruned by Rs. 1.06 lakhs to Rs. 1.48 lakhs; (ii) the allocation to depreciation was reduced by Rs. 2.3 lakhs to Rs. 9.7 lakhs; (iii) bonus to employees declined by Rs. 1.3 lakhs to Rs. 3.1 lakhs; and (iv) the dividend recommended is lower at Rs. 2 against Rs. 2-4 in the previous year.

The operations of the solvent extraction plant were frequently interrupted owing to defects in the flaking mill and the company had, therefore, to curtail its purchase and crushing programme of seeds. Arrangements have now been made to replace the defective parts. A duplicate water cooling plant was eracted at the Tatapuram factory as a stand-by to the existing one. A new sea-water reservoir of bigger capacity was constructed at the Bombay factory for servicing the glycerine and hydrogenation plants. A modern high speed German printing and waxing machine has also been installed which may result in considerable saving in the printing charges of packing and wrapping materials.

During the year, the company introduced on the market a new toilet soap under the trade name 'Jai' and, according to the Report, it has had an encouraging reception. As compared to the previous year the production of Pakav doubled whilst sales rose by 175 per cent. In spite of adverse propaganda there has been a growing demand for vanaspati. The entire vanaspati industry registered a record output during 1954-55 when 2.2 lakh tons were produced against about 2 lakh tons in 1953-54.

The following table gives a summary of the balance sheets of the company for the year ended March 31, 1955 as also for the two years immediately preceding:

(Figures in lakhs of rupees)

	Liabilities							Assets				
Year	Subscribed Capital	Premium on Shares	Depreciation & others Reserves	Borrowings & Deposits	Other Liabilities	Profits Carried Over	Total	Net Block	Provision for Depreciation	Stores, Stocks etc.	Book Debts, Advances etc.	Cash & Other Balances
1954-55	99.96	14.94	124.15	107.12	61.93	7.08	415.18	76.97	107.20	172.57	41.73	16.71
1953-54	99.96	14.94	113.95	115.94	58.79	7.75	411.33	79.66	97.50	174.62	42.03	17.52
1952-53	99.96	14.94	98.60	129.92	61.36	6.35	411.13	73.69	85.50	200.27	36.80	14.87

The subsidiary company, Lakme Ltd., again incurred an approximate loss of Rs. 59,000. Its paid-up capital was increased to Rs. 5 lakhs by issuing 250 ordinary shares of Rs. 1,000 each, all of which are held by the Tata Oil Mills Company and its nominees.

JOT'S ENGINEERING CO.

The Forty-ninth Annual Report together with Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 1955, of this company, shows that, after meeting all expenses of operation and management and after allowing for Depreciation of Stocks, Furniture, Tools and Plant, a profit of Rs. 1,17,554 has been made. This amount, together with Rs. 7,839 brought forward from last year makes a total of Rs. 1, 25,394 which sum has been appropriated as under:

	Rs.	Rs.
Total amount brought forward		1,25,394
To Staff Gratuity Fund (making a total of Rs. 43,124)		5,000
To Provision for Bad and Doubtful Debts (making a total of Rs. 40,000)	3,000	
To Provision for Bonus to Employees	21,000	
To Provision for Taxation	43,000	72,000
This leaves a balance of		53,394
From which the Directors recommend payment of a Dividend, free of income-tax, of 8 per cent for the year ended March 31, 1955		48,000
Leaving a balance of		Rs. 5,394

The Stocks have been carefully taken and fully insured

Company Meeting

EMPIRE OF INDIA LIFE ASSURANCE COMPANY, LIMITED.

The Revenue Account and the Balance Sheet of the Company with Auditors' Report appended hereto relate to the year ended 31st December, 1954.

The year has been an eventful one for the insurance world characterised by the rate-war, the bonus war and the staff insurance scheme war. The controversy regarding the last has now been set at rest but the repercussions of the other two are bound to be felt in future years. But so far as the present is concerned, certain unhealthy features, which had till now been largely confined to General Insurance, have made their appearance in the Life Insurance field also. The sudden reduction in the rates of premium by one of the big companies followed in a week by another company, created a very difficult situation for companies like the "Empire." It took us some time to work out the necessary data and consider the course to be adopted, but it was clear that a similar reduction was inevitable if "Empire" was to exist. After a full consideration of the pros and cons, we decided to follow the lead of the other companies and issued the revised rates on the 27th April, 1954. For nearly two months before that, the writing of new business by the Company was practically at a standstill. In issuing the revised tariff, we advised our field staff very strongly not to indulge in what the President of the Indian Life Assurance Offices Association described as "the pleasure of rewriting as new business a large amount of business which we had already placed on our books at enormous cost" and that we would be satisfied with the normal growth of genuine new business. This seems to have had some effect during the year 1954; but how long this will last in the face of the terrific competition prevailing in the field is not known! If the message of insurance, i.e., the thrift and savings movement, is to spread far and wide in the land, the insurance agent should penetrate into the rural areas and he will do so only if it is made worth his while. At the present moment, the field force is concentrated almost entirely on urban areas and the whole-time insurance agent has become a rarity.

As there is some misapprehension even in informed quarters about the "Government management" of the Company and its result, I wish to emphasize that the actual day-to-day working of its affairs, such as the procuration of new business, settlement of claims, etc., are almost entirely in the hands of the Managers and the field staff recruited from the usual actuarial and business circles and not from any Department of Government. The chief difference is that every effort is made to see that the Code of Conduct is observed in field appointments. We do not allow any intermediaries between the Branch Secretaries and the agent beyond what is permitted by the Code; but this is felt by our organisation as an unnecessary insistence upon the Code. As a matter of fact, even in some big companies, the hierarchy is Organisers, Inspectors, Divisional Superintendents, Branch Secretary and the underlying object of this can easily be imagined; even a few weeks back an Officer, who left the Company, wrote to some of our field-workers giving his hierarchy as that prevailing in his new company on that company's letter-head and offering them higher status and pay and less restriction than in "Empire." Another difference is that the Head Office in "Empire" frowns upon twisted business or any attempts to pinch men from other companies.

In some quarters it is alleged that after the "Government management" came in, the expenses have increased but this charge is entirely baseless; on the other hand, it was during the period when the Company was under private management that the expense ratio had been steeply rising from year to year, though the general trend for other companies was downwards. The salaries and allowances of the top Officers in the Head Office used to amount on the average to Rs. 22,106 every month in the year 1950 but in the year 1954, this has been brought down to Rs. 8,111. Various other measures of economy have been introduced, but it takes time to feel the full effect of these. In the year 1949, the overall expense ratio was as high as 33.66 per cent but during the year 1954 we have brought it down to 28.40 per cent. The renewal expense ratio also has shown an appreciable reduction from 21.38 per cent in 1949 to 18.61 per cent in 1954. The reduction would have been far greater but for certain extraneous factors. The graded scales of pay to the staff introduced in 1953 for the first time in the history of the Company and the increase in the dearness allowance increased the cost by over Rs. 80,000 per annum. To add to this, the cost of the law charges connected with the proceedings against the ex-directors, etc., is quite a big one and this has gone to swell the expenses. Though the Company is an old one, it has had to work during the last four years not only as though it was a new company beginning from scratch, but with the added handicaps created by the incidents which happened in the years 1950 and 1951 and which resulted in the action under Section 52A of the Insurance Act. Every effort is made by fieldmen of other companies to misrepresent the position of the Administrator as that of a Liquidator. The extent of the disruption of the organisation will be clear from the fact that, of the existing Inspectors, 75 per cent are entirely new men taken after July 1951. The same is the case in regard to the Branch Secretaries and the Officers at the Head Office. Considering these handicaps, the organisation has produced results during the year which should be considered quite satisfactory. In spite of certain deficiencies "Empire" can claim some achievements to its credit during the last four years—such as reduction in top heavy salaries, increase in the salaries of the subordinate staff, stabilising the finances, creating a big reserve of Rs. 116 lakhs to meet losses from bad and doubtful investments (very few companies in India

would be able to do this) increasing the dividends to shareholders and the bonus to policyholders, and with all this, lowering the overall and renewal expense ratio.

It is, however, unfortunate that, without any reference to these facts, some persons connected with insurance, in their anxiety to espouse the cause of "private management" as against nationalisation, have thought fit to publish disparaging remarks about the performance of this Company as well as the Jupiter General Insurance Co., Ltd. I do not desire to enter into the controversy for or against nationalisation, but would leave it to be judged by more competent persons in an objective manner. But so far as these two particular companies are concerned, I would submit in all humility, that an examination of their past history—their methods of business and investment, control of shares and hawking of the management rights and top heavy administration—as compared with the present position, by any person, official or non-official, will not lend any support whatever to the cause of "private management." Such an examination will also show how difficult it is and how long it takes to rectify inherited wrongs and at what cost to the policyholder and to the general tax-payer. We all like comparison and competition; but, the competition in the insurance business at present is neither fair nor equal.

The triennial Valuation as at 31st December 1954 is in the final stage of completion. I am glad to say that from the preliminary calculations made, the hope which I expressed in my last report about a sizable surplus has been amply borne out. The results of the Valuation will be published shortly and there is every prospect of an increase in the bonus to the Policyholders.

PROGRESS OF BUSINESS IN THE YEAR

NEW BUSINESS: During the year 14,897 proposals were received for assurances amounting to Rs. 4,80,01,000. Of these and others awaiting completion on 31st December, 1953, 11,887 proposals resulted in policies assuring Rs. 3,84,06,774, of which Rs. 8,19,500 was reassured. The new business after deduction of reassurances was accordingly Rs. 3,75,87,274 representing an annual premium of Rs. 20,04,744 and Rs. 7,458 by way of single payment.

EXPENSE RATIO: The overall expense ratio in the year was 28.40 per cent as against 28.55 per cent in 1953 and 26.93 per cent in 1952. The renewal expense ratio in the year was 18.61 per cent as against 19.80 per cent in 1953 and 19.63 per cent in 1952.

CLAIMS: Claims by Death during the year amounted to Rs. 19,32,760 representing an increase of nearly Rs. 1¼ lakhs over the figures of the previous year. The claims by maturity showed a decrease of nearly Rs. 5½ lakhs over those of the previous year.

INCOME AND OUTGO: The income for the year amounted to Rs. 1,53,62,124 (after deduction of taxes at source), of which Rs. 1,19,77,645 was derived from premiums. The outgo amounted to Rs. 1,08,03,439. The excess of income over the outgo is Rs. 45,58,685.

INVESTMENTS: The total assets have increased from Rs. 11,97,50,963 to Rs. 12,38,65,607. For reasons which have been explained in my previous reports, I have concentrated the new investments almost entirely in Government Securities. Since my taking over charge, I have up to date invested Rs. 2,48,51,397 in Central and State Government Securities, with the result that the total investment in Government Securities represents nearly 70 per cent of the total assets. The investments made by the previous management have been under continuous scrutiny and every effort has been made to recover them; suits have been instituted in the Law Courts in a number of cases to recover loans advanced on the mortgage of properties during the years 1948 to 1950.

RATE OF INTEREST: The net interest yield during the year comes to 3.32 per cent. Credit for interest on mortgages taken to Court has again not been taken into account. Such interest will come into the account when realised.

I wish to convey my thanks to all the officers, the staff and the field-force for the good work done by them during the year, sometimes under discouraging circmustances. I am sure that the Company and its workers have a bright future.

R. VARADACHARI,
Administrator.

Dated, 20th August 1955.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

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(SECOND ISSUE)

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(4) Government of Mysore	.. ..	Rs. 50 lakhs Issue Price Rs. 99-0-0 per cent
(5) Government of Saurashtra	.. .. ..	Rs. 125 lakhs Issue Price Rs. 99-0-0 per cent
(6) Government of Uttar Pradesh	.. .. ..	Rs. 250 lakhs Issue Price Rs. 99-8-0 per cent
(7) Government of West Bengal	.. .. ..	Rs. 200 lakhs Issue Price Rs. 100-0-0 per cent

The loans will remain open for subscription from 30th August to 1st September, 1955 but may be closed earlier without notice as soon as subscriptions approximate to the amount of each issue.

Each loan will bear interest from 1st September, 1955. Interest from the date of application to the 31st August, 1955 inclusive, will be paid to the applicants at the time of issue of new securities at the rate of 4 per cent per annum on the nominal value of the loan applied for and accepted.

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Applications for any particular loan other than Mysore Government loan will also be received at branches of the State Bank of India within the State issuing the loan.

In the case of Mysore Government loan applications will be received at branches of the Bank of Mysore Ltd. in the Mysore State.

N.B.—Copies of Notifications and Application Forms may be obtained at any Receiving Office.

COMMODITY NEWS AND NOTES

BETTER YIELD FORM SUGARCANE

At a speech in Coimbatore on August 21, Mr. A. P. Jain, Union Minister for Food and Agriculture, expressed concern at the increase in sugarcane area in some parts of the country. He warned that, if the price of sugar were to be maintained, it might be necessary to place restrictions on the area under cane wherever it showed a tendency to outreach the crushing capacity of the mills. The average yield of sugarcane per acre in India was only 14 tons, as against 25 tons in Australia and 40 tons in Indonesia. It was necessary, he stressed, that in India too the yield of cane must be increased, augmenting, at the same time, its sugar content.

Mr. Jain revealed that the yield of cane in the development zone was, on an average, 20 to 25 per cent higher than in areas undeveloped. The intensive development campaign initiated last year covered 1.75 lakh acres, yielding 26 tons of cane per acre. But he admitted that the development schemes undertaken by the Indian Central Sugarcane Committee had covered only a seventh of the total cane area so far in the country.

U.S. COTTON EXPORT POLICY

Announcing the marketing plans for the United States cotton year, which began on August 1, the Secretary for Agriculture said that the Administration might offer to sell for export up to one million bales of its lower-quality short-staple cotton stocks at competitive world prices "on a gradual basis". The rest of the eight million bales of surplus cotton stocks would continue to be offered at higher prices than the domestic markets. There would be no "dumping" of U.S. cotton on world markets. No material change was planned in the U.S. export policy for upland (Short-staple) cotton for the 1955-56 marketing year.

The bulk of the cotton stocks would still be offered for sale for export on a competitive bid basis, but at not less than the domestic market price, or 105 per cent of the current cotton price support level, plus reasonable carrying charges, whichever was higher. The announcement did not clear up the major question of whether there was going to be a U.S. export subsidy.

EXPORT OF INDIAN TEXTILES

The Minister for Commerce and Industry stated in the Lok Sabha that several measures to promote the export of Indian cotton textiles have been taken by the Cotton Textiles Export Promotion Council, which was formed about nine months ago. The Council, for instance, has collected statistics and other information about market conditions, import restrictions in the foreign countries etc., which affect export trade in textiles, and regularly publishes bulletins for the use of the trade. Samples of cotton textiles produced for export by over 60 Indian mills have been exhibited in the countries in South-East Asia which were recently visited by a delegation consisting of mill-owners and exporters.

TOBACCO EXPORT

The quantity of tobacco exported from India to China in 1954 was 6,441,000 lbs, valued at Rs. 37.68 lakhs. In the first five months of the current year, the quantity of tobacco exported to China was 3,628,000 lbs. valued at Rs. 13.55 lakhs.

PAK JUTE EXPORT: DUTY RAISED

When Pakistan devalued its rupee last month, it was pointed out that whatever benefits the Indian buyer of raw jute might obtain would be affected to the extent the Pakistan Government revises its export duty on the fibre. Karachi has now increased the export levy on jute from Rs. 3 to 4 per manud with immediate effect. There is, however, no change in regard to the cuttings or 'Habijabi'. The Pakistan Government has also announced an immediate increase in the export duty on raw cotton from Rs. 90 per bale to Rs. 135 per bale. The impost on desi cotton will remain unchanged.

SECOND POTATO ESTIMATE

The all-India second estimate of potatoes, 1954-55 puts that year's area and production at 6,39,000 acres and 1,600,00 tons as against the adjusted second estimate of 633,000 acres and 1,621,000 tons for 1953-54, according to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. This shows an increase of 600 acres, or less than one per cent in area and a decrease of 21,000 tons or 1.3 per cent in production.

The increase in area has occurred mainly in U.P. due to favourable weather conditions. This increase has been offset to a large extent by a decline reported by Bihar due to unfavourable climatic conditions Despite slight increase in area, production has recorded a fall which is mainly shared by Bihar and West Bengal. Bombay, Punjab and U.P. States have, however, recorded some increase in production.

RABI PULSES ESTIMATE

The all-India final estimate of rabi pulses, other than gram and tur 1954-55, puts the year's area and production at 10,498,000 acres and 1,977,000 tons, as against the partially revised estimate of 11,214,000 acres and 2,089,000 tons for 1953-54. Thus the 1954-55 estimate shows a decrease of 716,000 acres or 6.4 per cent in area, and 112,000 tons or 5.4 per cent in production over 1953-54.

The decrease in both area and production has been shared by all the pulses excepting urad or mash and mung. The decrease in area has mainly taken place in Bihar, Bombay, Madhya Pradesh, U.P., Hyderabad and Bhopal due to unfavourable weather conditions at the time of sowing. The decrease in production has mainly taken place in Bihar and Uttar Pradesh. This decrease in area and production has, however, been offset to some extent by the increases reported by West Bengal.

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Planned Eclipse of the Plan-Frame?

THE halcyon days have ended. For a period of nearly eight months, the current of optimism on the main objectives of the second Five-Year Plan has flowed full and strong. Since the notable speech of the Finance Minister in December 1954 on the second Plan, no official authority has been ready to question the possibilities of achieving a rise of national income of 25 per cent in five years together with the provision of new employment of ten million jobs. These objectives were enshrined in the plan-frame which assumed, without any proof or precise indication of ways and means, that its targets would bring forth both objectives. To non-official criticism that there was really no justification for the assumptions that the Mahalanobian figures would deliver the Deshmukhian goods, the Government of India consistently turned a deaf ear. This week, quite suddenly, the voice of the critics has prevailed. In an unobtrusive document described as "An Approach to the Second Five-Year Plan—Some Basic Considerations" by Mr. Gulzari Lal Nanda, the plan-frame has been put in its place. It now transpires that the employment targets of the plan-frame are impossible, and its income targets unreal at least with the order of contemplated investment.

It is not clear from Mr. Nanda's "basic considerations" whether the order of expenditure in the public sector should be raised for a 5 per cent increase or whether he considers that any possible adjustment in the structure of the Plan is

incapable of producing the rise of income required. It seems a pity that this fundamental paper, which is important because of the measures of critical thinking which it contains, should have tended to accept too readily as defeatist a picture on the income side as it does on the employment side. There is certainly no evidence that employment of the order of 10 million new jobs can be created. On the other hand, it is certainly not true that there is no evidence that an income target of 25 per cent in five years is impossible with practicable levels of investment suitably designed. Of course, if the public sector should choose to withdraw to itself resources—by reckless taxation or otherwise—on a scale designed to defeat the creation of income within the period of the Plan, it has the power—and it would seem the abuse of power—necessary to accomplish its task. It by no means follows from anything presented in Mr. Nanda's review, or from historical considerations based upon achievements in other countries or in India between 1952 and 1955, that the order of rise of 5 per cent per year is an overestimate.

It is right that mistakes in the plan-frame—and they are many—should be corrected. The plan-frame was not designed with sufficient knowledge of conditions in particular sections, notably transport, and it was also distorted by a personal philosophy which led to uncritical acceptance of directives which could not be consistently translated into economic terms. To correct the plan-frame of mistakes such as these should not lead one to destroy every particular target that the plan-frame contains. It is a matter of some considerable misfortune that the plan-frame itself has become an object of attachment or revulsion so great that emotion is now raised every time it is considered. The general line has been total support or total rejection. It is a pity that so much of Mr. Nanda's criticism has been designed to create the impression that the plan-frame needs to be well and truly eclipsed before a better plan is raised on its debris.

The mistake which Mr. Nanda and certain other critics of the income figures of the plan-frame make is to assume that the normal trend of growth of the Indian economy is the average of the last five years. In point of fact, there is evidence to show that both in agriculture and industry the year 1952 marked a "kink" in the rates of growth in the major sectors of the Indian economy. Such "kinks" in trend lines are by no means unfamiliar to economic historians. Time and again there can be, in the history of nations, sudden turning points at which, it would appear, a new set of assumptions must hold in order to describe the rate of growth of an economy. Such a trend, for example, came in the United Kingdom about 1760 with the great Industrial Revolution. Such a trend came again in the United States from about the year 1868 when the United States economy recovered from the bitter wounds of its Civil War. In India, economic historians have already pointed to the fact that after 1952 the country has entered into a dynamic spell both in agriculture and industry, which cannot be worked into the short-period trend of any previous three years in Indian history. Nor can it be reconciled with a long-period trend over any considerable period for which figures are available.

To generalise uncritically over a period which includes this major "kink" in trends of growth is to call forth all the dangers of arbitrary statistical choice. The trend line of the Indian economy after 1952 shows a current rate of growth of 4 per cent a year with a rate of planned investment roughly half that which is contemplated in the second Five-Year Plan. It is true that some considerable portion, possibly a fourth, might be due to "accidental" factors like particularly favourable rains. But it is also true that almost all the "multi-purpose" investment which, had it been designed for short-period gain, would have delivered "non-accidental" income, has been carried forward to the second Five-Year Plan. While, therefore, India will lose the gifts of Providence in the second Plan, she is not likely to lose on total account since the work of men will have compensated for the parsimony of Nature. With double the investment of the first Plan and the "overflow" of income, the income totals of the plan-frame are not unreasonable in total even though they are wildly out in some details.

There is no need—at least on the evidence so far adduced—to assert that financial considerations will limit progress severely. Again, there is no reason to assume that the stream of real income can only be developed slowly. While the steel plants may conceivably deliver late, it is to be remembered that the present programme for the Plan provides for the import of steel at a rate of a million tons per year; the fabrication and processing of this steel implies that the engineering industry will not be starved throughout this period. Again, the massive use of fertilisers and the extension of improved methods should give India a high return with relatively small capital investment. The facile assumption that the ratio, or volume of investment required to generate a given income, is likely to rise significantly because much of the income generated will fall outside the planning period has no foundation in fact. The ratio will be higher than in the first Plan. But the idea that somehow this Plan requires much more management and the inevitable —but undefined—"public control" than the first Plan is an error. The reduction of inequality—to which some importance must be attached—can be achieved with existing instruments.

Commentators in Delhi have been quick to draw conclusions from the emergence of this paper at a time so close to an A-ICC meeting. It has been firmly hinted in New Delhi that Mr. Gulzari Lal Nanda, the Planning Minister, has been assigned the task of "correcting" the high hopes which the plan-frame has raised. If this is so, it seems a pity that the Government of India should have adopted so questionable a course as to release a misleading document and then kill it by reversing the act of initial kindness. There will be some repercussions produced by the act of withdrawal. Now that high hopes have been raised, it will need very much more than an essay in moderation to hold them down; or if an essay of this kind is to be effective, it will need to be far better documented than is the current explanation. The plan-frame and Mr. Nanda's note are both in error in that they really are expressions of dogmas, not sound economic presentation. They may, indeed, have each a measure of truth. But neither carries conviction in itself. Will not the Government of India produce a document with chapter and verse on each point, instead of obiter dicta of persons, however eminent or well-meaning? A mere change in the oracle will never be a substitute for the facts on which policy is to be based.

The Press Debate

EXCEPT for Dr. Keskar's attempt to elucidate the issues involved in the implementation of the Press Commission's recommendations, the debate in the Lok Sabha last week cannot be regarded as having made a distinctive contribution to the subject. Members' speeches tended to concentrate on the few recommendations—like the Press Council, the price-page schedule or the conditions of working journalists—and even these were not argued with the depth of understanding which should have been promoted by the Press Commission's detailed discussions in the report. It has been shown that some members of the House were even wrong on material particulars in their enthusiasm to make more severe their strictures on what they regarded as the abuses in the Indian press today. This enthusiasm seemed to close their minds wholly to the outstanding virtues of the Indian newspapers of which their readers or publishers can be legitimately proud. Just as Bernard Shaw thought that practitioners of medicine tended to acquire a vested interest in disease and not in its prevention, the average politician tends to have a similar personal interest in social evils. Such evils give him the opportunity to campaign for votes and the excuses to rush to legislation—which are the ultimate ends of his vocation. He will have to invent evils where they do not exist, or magnify them if they are only minor in character, unless he abdicates his role. While deploring, therefore, the one-sidedness of the remarks in the Lok Sabha, it is possible to recognise its inevitability, especially during the present phase of our politics, when the conscious and deliberate Leftist orientation has given the excuse for emitting sound and fury on current issues.

The Minister for Information and Broadcasting had to make it clear that the report of the Commission was not in the nature of an award to be automatically implemented. The time and manner of implementation of the very wide range of recommendations may be spread over the next few years to the extent to which they are necessary and desirable. Dr. Keskar's assurance on the floor of the House that, in matters involving the freedom of the press, Government would "proceed carefully" was timely and necessary in view of the character of the preceding debate. The definition of the implications of that freedom, however, often gets mixed up. Freedom of expression seems self-explanatory. But no one in his right senses would identify it with criticisms of Government alone, because freedom to support authority is also involved in it. But the ultimate test of the existence of freedom would necessarily lie only in the extent to which freedom of criticism exists. The concept of freedom of expression, in its origin and development, is related to an inherent tendency of established authority to deny it in the course of its work. In modern societies when the dangers to freedom appear to be far more numerous than the safeguards for its existence, the attitude to criticism of Government naturally becomes the touchstone of the liberty of the press. Whether it is newsprint control or a price-page schedule, the indirect effects of regulation by the State may often prove undesirable, at least in practice, to the freedom of such criticism.

But freedom of expression is not the only, though it is a major, test. Newspaper production is recognised as an industry and it is a highly competitive industry. Many of the suggestions of the Press Commission, which do not lead to interference with press freedom as such, would nevertheless involve deliberate restrictions on the freedom of commercial operations in production, prices and sales. On these purely industrial aspects, decisions must be based only on the particular conditions which call for regulation in the public interest. Price and distribution controls are applied to other essential industries in the national interest even during normal times—like coal, steel or cement. The question is how far these considerations would be applicable to newspapers—if its industrial aspect is considered separately from that of its liberty. In times of exceptional shortages, newsprint control and price-page schedules have been in operation, just as similar regulations existed on a number of other products, including cloth, in which under normal conditions there are no reasons for restriction.

The onus of proving the case for introducing restrictions must lie on those who wish to establish that the conditions of competition in this industry are so unlike those in others or are so wholly opposed to public policy as to need firm intervention. The mere existence, or the possibility, of malpractices would not provide sufficient justification. The conditions of production of a modern newspaper are such as to require a large outlay on equipment and reporting and on distribution services. It would be idle to expect that by merely hampering the type of investor who can run a paper, smaller men will be enabled to come successfully into a field in which they can hardly operate with advantage. In spite of the existence of the tendency to form groups among newspapers, there is today no monopolistic trend either in views or in capturing for major newspapers a more than proportionate share of the market. The exceptions, if any, would not prove the rule.

It has become a commonplace to say that Indian journalism has declined in standards—merely because the sense of mission with which editorial writers had expressed their patriotic fervour is no longer there. Those who hold this view may be forgiven their nostalgia for the past but there is nothing more in it. It is remarkable how well the Indian press has risen to the needs of the times in the last few years of independence and the confidence with which it has learnt to approach its changed and changing role, even if such confidence has occasionally led to excesses. If the average journalist is not as versatile as he is reputed to have been once, it is because he lives in a world where the range of reader interests and social activity has widened far beyond the dreams of the most successful journalists of a quarter of a century ago in this country, when a small educated minority was interested mainly in sharing its ideas within its own class. It is only the large newspaper which is in a position today to seek out and provide a forum for those who have the professional competence, whether in special fields or in seeing the social picture as a whole, and who, because of their personal temperament, cannot ordinarily get themselves heard

above the din of politics. Large circulations are no more an unmixed evil, when they are obtained by a definite *quid pro quo* in the shape of better services, than large sales of any other product of good quality sold at a lower cost because of the economies of large-scale production.

A Family Planning Survey

POPULAR attitudes to family planning have not secured enough attention so far though a few preliminary surveys have been made. It is arguable whether the stage has been reached when the issues arising out of the enforcement of curbs on population gorwth can be discussed on a practical plane without importing prejudices. In the short run, no firm decisions on population policy have been contemplated; it would be just enough to hope that the tempo of expansion of the Indian economy will prove equal to the problem posed by growing numbers in the country. In the longer perspective, however, the population problem will demand positive solutions and organized researches on the subject in different regions governed by varying demographic trends would have considerable value. The Gokhale Institute of Politics and Economics, Poona, has brought out the results of a fertility survey conducted under its direction in three districts of Bombay State. Data yielded by the enquiries in respect of two districts—Nasik and Kolaba—have been compiled together in view of their comparability, derived from the simultaneous conduct of investigations there. The conclusions suggested by them are instructive, and reveal the prevailing attitudes to birth control in a limited context.

This intensive research in a restricted area touches upon various complex aspects of fertility trends, but most interesting are the data on the extent of the penetration of knowledge of contraceptives. In rural Nasik, male heads of families conversant with the subject were totally non-existent, while in rural Kolaba the percentage was insignificant with the exception of one village, where the percentage was as high as 10.2 and where the predominance of Brahmin population explained this high ratio. In the urban areas, though it rose to nearly 25.7 per cent in one town only, it ranged below 14.2 per cent in the rest. Among women, the ratio of persons with knowledge on the subject varied between 5.5 per cent and 3.6 per cent in the urban areas, while in rural areas it was non-existent but for a nominal percentage of 0.6 in one district. A major fact recorded in these samples is the virtual absence of knowledge among the agricultural classes. The correlation between this type of knowledge and education is established by the high rate of higher castes among those informed. Knowledge was confined to heads of families below 40 years of age as a rule. It is not clear what type of clinical facilities were accessible, but the environment in which knowledge seems to have been acquired would also reflect on the quality of knowledge. On this factor, however, data were not expected to be procured.

The actual practice of contraception should provide a measure of the magnitude of the time element that would perforce be required in achieving the aim of popular spread of birth control by positive devices. In rural Kolaba, among the male heads of families, 0.5 per cent took to actual contraception. In the urban areas, the ratio varied between 2.2 per cent and 4.1 per cent. The age composition of actual practitioners of birth control disclosed 40 as the point at which a majority of the males were drawn, although in the case of urban Kolaba it was lower at 35. It is not in the least surprising that the practice of birth control, in so far as the number of persons interviewed belonged to the female sex, was conspicuous by its virtual absence in the villages selected for the survey. In urban centres it varied between 1.7 per cent and 2.1 per cent among the sampled families. The very restricted coverage of the urban samples is indicated by the number of females questioned—536 in Nasik and 668 in Kolaba. The age composition of this category, which reflects majority preference for contraception from 37 years upwards, gives clear indication that there is little inclination to resort to birth control during the vital part of the reproductive period.

The analysis of data on persons who were uninformed on contraceptives proceeds to make certain sub-classifications of this broad category. The confusion in the minds of persons interviewed about the precise nature of contraception, coupled with a confirmed prejudice that identified contraception with induced abortion, carrying the stigma of immorality, detracts from the value of its conclusions. Interviewers apparently had their own handicaps. The proportion of those who were not sure in their minds whether or not they were informed on the subject is not negligible. No firm correlation is established between increasing number of children and the desire to acquire knowledge of contraception as an essential preliminary to its practice for family limitation.

Whereas the propensity to limit the size of the family with the addition of number of children was noticeable in Nasik district, it was not in evidence in Kolaba. But an outstanding fact observed in both the districts was a pronounced desire for contraception with the increase in the number of sons. Closer questioning disclosed that classification of uninformed males according to income showed a striking interest in contraception with increase in income. The age composition of males indicates, as is to be expected reasonably, that interest in contraception was increasing relatively fast in the younger generation in the urban areas.

This brief examination of the results yielded by this survey has, perhaps, tended to emphasize the limitations on the nature of conclusions to be deduced, but it errs on the safe side. The sponsors of the survey do not lay claim to have unearthed propositions of general validity from a survey of 10 villages and 4 towns and cities in 2 districts out of a total of 330 districts in the Indian Union. The spread of contraception at the present time to just a fringe of the urban section of population is patent from the information gathered. But the important aspect of the fruits of this research is the promise which the prospect of progressive spread of population control holds in the younger generation.

THE WEEK'S NOTES

GENERAL ELECTIONS IN CAMBODIA

GENERAL ELECTIONS to finalise the political settlement in Cambodia, as envisaged in the Indo-China Truce Agreement signed in Geneva a little more than a year ago, are scheduled to take place on September 11, 1955, in accordance with the present Constitution which has been in force since 1947. These elections, originally fixed for April 17 last, were postponed until now because of the developments which led to the renunciation of the throne by King Norodom Sihanouk, in order to lead the country to democracy. The International Commission for Supervision and Control in Cambodia has no direct concern with the conduct of the elections. It has, however, to safeguard the rights of the former members of the Khmer Resistance Forces (which had once taken up arms against the Cambodian Government) and satisfy itself that the secrecy of the ballot box is guarded. In pursuance of its commitments at Geneva, the Government of Cambodia has, since the armistice, announced general amnesty and taken measures for the integration and absorption of the liberated prisoners-of-war and civil internees and the demobilised personnel of the Khmer Resistance Forces into the national community to enable them to participate in the elections either as voters or as candidates. All arrangements have since been completed for elections to the 91-member National Assembly (Lower House of Parliament), which will be held on the basis of direct universal suffrage. The electorate is barely 890,000 as against a total population of over 3 millions.

Meanwhile, the Government of Cambodia has been greatly worried by what it considers to be very tendentious criticism about the receipt of military aid from the U.S.A. It has made it clear that no military alliance is contemplated by Cambodia or a cession of bases or military instructors. The aid is only a continuation of the assistance previously received through France, revised in the light of subsequent conditions. The International Commission has also examined these provisions and after hearing the protest of the Viet-Minh to the effect that it violated the Geneva Agreement, agreed to accept the assurances given by Cambodia that she will scrupulously and always respect the terms of the Geneva Agreement and follow a policy of neutrality. That settles the issue for the present.

OBITER DICTA IN THE BANK AWARD

IN HIS award on the Bank Employees' dispute, Mr. Justice Gajendragadkar has made some observations on the propriety of the Government's modification of the Appellate Tribunal's award, which raises some general issues. It is conceded that Government was fully justified in creating Area 4 and in making consequential changes and in the exemptions granted to some C class banks. The Judge has, however, expressed the view that the Government was not justified in interfering with the Labour Appellate Tribunal's decision in respect of A and B class banks. There were, he says, "infirmities in the approach adopted by Government." The observations in this respect are as follows:

"The limits thus imposed by Section 15 necessarily postulate that Government would not be entitled to interfere with the award even if they thought that the award is not as sound as it should have been or is otherwise capable of improvement in material particulars. The fact that an award is defective and can be easily improved upon would, in my opinion, not be a sufficient justification for interference by Government under Section 15. The defect or infirmity of the award which can justify the interference of Government must, in every case, amount to grounds which are in the nature of public grounds. In other words, the fact that Government, or in fact another judicial officer, might, on the merits, have taken a different line and might have different provisions would not always or necessarily constitute public grounds."

It has also been pointed out that the statutory life of an award is 3 years and that the appropriate Government has the power of limiting it to a shorter period both of which limit the period of any mischief arising out of an award. It follows, according to the Commission, that the public grounds against implementation must exist immediately after an award is given and not be based on real or hypothetical long-term considerations. In this particular case the modified decision of Government relates only to dearness allowance; was it really necessary, asks the Commission, to exercise the powers of interference under Section 15 in such case?

The short answer to this rather subtle argument would be that in such cases the Government alone must be the ultimate judge of public grounds—just as the judiciary has long ago conceded that "reasonable cause" in cases of detention cannot be judged by courts except when they are mala fide. The Government may be wrong in exercising the discretion vested in it by the law; but, it is the essence of any discretionary authority that it should permit even wrong decisions. Secondly, this interpretation of Section 15 would introduce a highly legalistic concept in a matter which is largely governed by considerations of social policy, which is the raison d'etre for the power of intervention vested in Government in the Industrial Disputes Act. It is conceivable that the intervention in some cases may be in favour of employees and it is difficult to prove that labour trouble was certain immediately after.

PROGRESS ON THE COMPANIES BILL

THE PROGRESS on the consideration of the clauses of the Company Bill which commenced last week has so far exceeded expectations. The Lok Sabha passed 144 clauses of the Bill in three days last week, and considering the lack of constructive criticism within the House, this was only to be expected. At one stage, a junior Minister went so far as to suggest that any issue decided by the Joint Select Committee was not worth pursuing in the House and though it received a fitting rebuke from the Chair, it reveals an attitude which is very undesirable.

Mr. Tulsidas Kilachand and Mr. G. D. Somani do not have a pleasant task facing them in having to fight at every stage for some sense of realism in reform in a generally hostile milieu. Mr. Kilachand's pleading for not including "relatives" within the scope of associates has fallen on deaf ears even though he pointed out that it would be inappropriate to many situations. There was nothing particularly objectionable to the relatives being appointed to positions, if it is not objectionable in Government service, where there have been numerous instances of such appointments with, or without the approval of the Public Service Commission. The question is whether anyone should be placed under a disability in respect of a vocation or position merely because of such relationship, and though Mr. Kilachand's extensive citation of constitutional points did not provide direct support, there can be no doubt that a very uncompromising attitude has been taken in this matter.

This process will go on just as before. It is only in respect of Clause 197 that any modification was at all expected though not a substantial one. But the discussion in the House this week revealed opposition even to reasonable modifications, which has vexed even some of the sympathisers of the reformers.

COLLECTIVE BARGAINING FOR WORKING JOURNALISTS

DR. KESKAR'S reply to the debate on the Press Commission's Report did not disappoint the working journalists who have been anxious all along to know Government's approach to the recommendations regarding their conditions of service. The Minister at first made it clear that there was no award to be implemented ipso facto; and this clarification can only have reference to the demands of press employees. They have already been given the benefit of the Industrial Disputes Act in response to the demand for trade union rights and among the trade unionist sections among newspapermen, there has been satisfaction over the grant of this privilege. Dr. Keskar reiterated last week that working journalists should work under proper conditions and should have a fair deal. But he emphasised that for the working journalists to be given the powers and the rights of workmen, the details of ameliorating their conditions should be worked out not purely by statute but also by themselves, through collective bargaining.

Dr. Keskar was on strong ground in saying so because the details of the working conditions cannot be left either to statute without making everything very rigid or to mediation by Government which would naturally involve many embarrassments. The working journalists have now to think of the implications of collective bargaining. Dr. Keskar was somewhat cryptic when he said, "A number of things will have to be done by them and I am sure they will do it; there is no need to encourage them to do it." Legislative action—the Services of the Working Journalists Act which has been promised—is intended only as a basic action which will give the greater bargaining power on working conditions. It is likely that this may not be well appreciated by those who are not quite confident of their bargaining capacity but it would not have been expedient for Government to do more.

BHAKRA-NANGAL POWER POTENTIAL

ACCORDING TO a press note, there is no change in th power potential of the Bhakra-Nangal Project due to any over-estimate as reported in certain sections of the press. No alterations will, therefore, be made in the power to be given to Delhi, or the Fertilizer Plant, or any other consumer benefiting from the project. It is also reported that the committee of engineers connected with the project which went into the question of phasing the installation of power units last week, recommended that along with the two additional units one each at the two Nangal power houses, five power units should initially be set up at the Bhakra main dam. These are to be followed up later with the installation of another four units as the demand develops. This scheme is in accordance with the proposals of the project authorities. The only difference in the recommendations of the committee and in the original proposals of 1949 is said to be the reduction in the number of units at Bhakra dam from ten to nine, with provision for a block-out for the tenth penstock to meet future requirements. The capacity of the units in both cases remains between 90,000 kw./53,000 kw. for high and low heads respectively. The reduction of one unit has been made possible on account of the Fertilizer Factory load which will operate at 100 per cent load factor as against 60 per cent load factor for the rest of the system.

This change has retained the full output of firm power from the Bhakra-Nangal project, i.e., 3,65,000 kw. at 100 per cent load factor or 6,20,000 kw. at 60 per cent load factor, as originally contemplated, though the installed capacity will be 9,54,000 kw. against 10,44,000 kw. as planned earlier. While there will be no change in the total energy output, this reduction of one unit will effect a saving of about Rs. 2½ crores in the capital cost. Even under the recommendations of the committee, the position of Delhi has been fully safeguarded and provision has been made for meeting the entire load demand from 1960 onwards to 1975, up to which year load forecast has been made. Even after 1975, the Bhakra project will be in a position to meet a substantial part of the future load demand in Delhi as sufficient excess power will still be available. The estimate of firm power as now recommended by the committee is based on the available water supply in the linked system of utilisation of supplies in the Punjab rivers. This arrangement does not in any way affect Rajasthan and PEPSU adversely and no extra cost is involved.

These are categorical assurances which cannot be intended merely to cover up the defects of over-ambitious planning for power, if there had been such planning at all before. These will be put to proof soon when those now assured start asking for the power, in addition to the needs of manufacture of heavy water which will necessarily take priority over other demands.

TAXES ON TRANSMISSION OF BOOKS?

A COMMITTEE to review the question of transmission of printed books by inland post has been set up by the Government of India, under the chairmanship of Mr. C. V. Cunningham,, Senior Deputy Director-General of Posts and Telegraphs. Under its terms of reference, the Committee will recommend to Government the rates of postage to be prescribed for transmission of books in the inland post, suggest a suitable definition of 'books' for the purpose of their being eligible for transmission at the rates recommended by the Committee, specify the various conditions under which articles classified as 'books' may be transmitted by post, and suggest effective safeguards against possible abuse of the proposed system.

An enquiry into this subject has been overdue, because the present rates of registration for book packets are so prohibitive that they penalise the publisher and the consumer—especially the smaller ones—alike. These rates constitute an important, though undesirable, tax on knowledge and it has been found that for cheaper books the transmission costs can be often as much as the price of the book. In a country in which publications, especially of textbooks, have to be concentrated in a few areas but distributed over large areas by post, high postage rates are a hindrance to dissemination of information. The question is whether concessions, if introduced, would become liable to abuse. The subject is not an easy one and the Committee should not overlook the fact that any tariff it devises should be easy to administer in all post offices.

THE CHANGEOVER IN THE PUNJAB

THE MANNER in which the Punjab is going to change over from English and Urdu to Hind and Punjabi in the predominantly Hindi and Punjabi speaking areas, while some areas remain bilingual may appear to be somewhat confusing. The changeover, to be effected after four years, is proposed to be introduced at and below the district level in the initial stage. In other spheres, such as the courts, the secretariat and the legislature, the Government has not come to any definite conclusions so far. Explaining the reasons that led to the move, the State Chief Minister has stated that the decision was based on a Congress Working Committee resolution and was taken as far back as 1949. The hope has been expressed by the State Government that the move would bring the people in the different parts of the State, speaking different languages, nearer and closer to each other. The reason for resurrecting this 1949 formula is linked in the public mind to the recent Akali agitation and the question is whether this would prove a good 'via media' at the present time.



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MR. MORARJI DESAI ON PUBLIC RELATIONS

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ODYSSEUS

MR. MORARJI DESAI, Chief Minister of Bombay, according to press reports has told the publicity officers of his state, assembled in conference the other day, that truth and fearlessness should be their guiding principles.

This seems to me as though a manufacturer of bicycles, or a film producer, were to tell their advertising managers to make no unjustifiable claims in their sales promotion of bicycles or of films. Surely the advertising managers would reply: "Your exhortation is admirable. It makes the technicalities of our task easier. It enables us to put our hearts into our jobs with clear consciences. But in order to carry out your wishes you must tell us the truth about your products. We must know not only the good points about your bicycles—their average expectation of life under reasonable treatment, and in what ways they are superior to your competitors—but we must also know their bad points—how, e.g., do their chains compare with those of foreign manufacture?" And the film advertising manager might ask: "To what audiences does your film appeal? Should we advertise it as emotionally and intellectually in the class of Tulsi Das and of Shakespeare? Or is it full of crude sex and violence? What would a conscientious parent think of it? Or a school teacher?"

Mr. Morarji Desai suffers from an illusion that is widespread not only among politicians but among too many industrialists and business men, namely, that you ought to be able to sell any governmental policy, or any industrial product, if your publicity is good, and contrariwise if your policy meets with general criticism or your product is not selling as much as you would like it to, this must be because your publicity men are falling down on their jobs.

In point of fact, a public relations officer, or an advertising manager, is only a technician who can exploit what is capable of being exploited in your policy or your products. He cannot eliminate the weak points that most policies and products cannot avoid in this imperfect world. If you manufacture a face powder that eventually causes a skin irritation, no amount of advertising can alter this fact or prevent the public from finding it out and comparing your product to the advantage of its competitors. Likewise, if your political party makes promises to the electors which are not fulfilled, or persists in policies which arouse antagonism, sooner or later the electors will vote your Opposition into office.

A few people in politics, who have a better grasp of these matters than the majority, have no difficulty in following the argument up to this point, but they fail to see that government's policy is only one half of its public relations problem. They think that to formulate an honest policy, sincerely held to be in the interests of the country, is enough, and that once this has been done the policy will sell itself and turn everyone into convinced supporters of the party in office. This is the familiar Socialist fallacy that the price at which a commodity sells equals the cost of labour that went into its making. "Would that it were!" groans the business man, for such a world would be a business man's paradise: Whatever money he put into a commodity he would be sure to get back. Unfortunately besides the Supply problems involved in formulating, or manufacturing, and advertising, a policy or a commodity, there is also the Demand side —the climate of public opinion, made up of a thousand factors of history, experience, custom, tastes and fashions that never cease to change.

UNPREDICTABLE CHANGES

Some of these factors are difficult or impossible to predict. Ten years ago when the price of coke for heating boilers for domestic hot water was Rs. 40 per ton in Britain, manufacturers of boilers heated by diesel oil, which cost much more than coke, found sales slow; they had to base their advertising policy not on cheapness but on convenience and cleanliness. Today when coke is selling in Britain at Rs. 112 per ton and oil is cheaper, manufacturers of diesel boilers' policy has changed and they emphasise not cleanliness but cheapness.

Likewise, one has only to recall the pronouncement made by Mr. John Foster Dulles, the U.S. Secretary of State, on January 12, 1954, when he announced a "new look" for American strategy, which would thereafter rely on America's "great capacity to retaliate instantly" on Communist forces in South-East Asia "by means and at places of our own choosing" and to compare it with the cautiously friendly noises that Mr. Dulles is currently making in China's direction, to realise how extraordinarily (1) official policy and (2) a national public opinion, can be modified within a relatively short period. Nobody in 1954, when Mr. Dulles was thundering threats around the globe, bullying France, hectoring Britain, roaring at the Soviets, and ignoring India, could have foreseen the recent "Summit" talks between Sir Anthony Eden, Marshal Bulganin, and President Eisenhower, still less the recent direct Sino-American talks on the exchange of prisoners and on Formosa (although I modestly recall that by the beginning of this year faithful readers of this column found me foreshadowing these possibilities. See the series that began with the article "One World" on January 14, 1955).

What has brought these and other changes about have not been the efforts, however honest and fearless, of the public relations officers of India, Britain, or the USA, but modifications of policy suggested by experience, by observing the reactions, and inter-action, of the various national public opinions to the current (and always evolving) policies of India, Britain, and the USA, and by the lessons of events, such as the Soviet realisation that they can no longer afford the cost of remaining armed on the scale that they had been maintaining since the outbreak of peace in 1945 if they hope to improve the standard of living of their people, and the realisation that the maintenance of Stalin's immense armies have much less sense in this atomic age, when it is not sheer numbers so much as the efficient use of atomic weapons that must henceforth count. Atomics have changed everyone's view of strategy, as witness for example the cheerful British withdrawal from the Suez Canal base. ("Utterly obsolete", the British War Minister declared on July 29, 1954).

SOVIETS LOSING DISARMAMENTS RACE

I cannot resist the temptation to open a parenthesis here in order to place on record the actual figures of Soviet and Anglo-American post-war disarmament which the enthusiastic followers of the "Hats off to Russia!" movement overlook. The present reduction of the Soviet forces by 640,000 leaves them with 4,100,000 under arms, as against 803,000 armed British and 2,949,000 Americans. In other words with a total of 3,751,000 men, the British and the Americans still have approximately 350,000 fewer than the Soviets. Moscow ended the war with 10,000,000 men under arms and reduced them to 4,000,000 by 1948, whereafter they raised them to 4,750,000 by May, 1954. American armed forces have already been reduced by more than 750,000 since the Korean war peak-strength of 3,700,000, and a further 90,000 Americans are to be disbanded in 1956. The British post-Korean reduction was 70,000, with another 35,000 to come off in 1956. Together these cuts exceed those recently annnouced by the USSR by some 350,000. If there is any Disarmaments race, the Soviets are not winning it.

I return to Mr. Morarji Desai to agree that fearlessness is a virtue that should be encouraged in public relations officers. No one is in a better position to appreciate the popularity or the hostility that official policy arouses, and while it is easy to tell the Minister when public opinion supports him, it requires courage of a high order in an officer who is usually ill-paid and who does not usually belong to the permanent civil service but works on a contract terminable by a few months' notice, to tell his Minister that opinion is critical of, or resistant to, his policy, and it is usually the last thing that a Minister expects to hear from his public relations officer. On the contrary, the Minister normally takes the view that criticism continues only because his public relations officer does not know his job.

In a nutshell, as I see it, it is not the duty of a public relations officer, or of an advertising manager, to formulate policy but to publicise the policy laid down for him, simultaneously reporting where this policy is favourably received and on what points it encounters hostility or sales resistance. Whether the government (or the industrial concern) sees fit to change its policy to exploit the favourable points more intensively, or to modify the points that arouse resistance, is a decision to be taken not at PRO level but at the highest level.

Finally, I heartily applaud Mr. Morarji Desai's conversion to the sound view that PRO's should not discriminate between friendly and critical newspapers or correspondents in providing news facilities. This is the beginning of wisdom in public relations, because obviously if you refuse to talk to a critic, you have no hope of modifying his views. Mr. Desai seems to have come a long way since he placed a martyr's crown on Mr. Frank Moraes' handsome editorial head (See this column, March 27, 1953) by refusing official advertisements to the "Times of India" because it was allegedly critical of the government.

Bharat Fire & General Insurance Ltd.

NOTCE is hereby given that the Board of Directors have decided to cease transacting Insurance business of all clauses with effect from 1st September, 1955. During the intervening period no one except the undersigned is allowed to cover any risk on behalf of the Company

By order of the Board,

L. N. MODI,
Director and General Attorney.
13-8-1955.

THE CENTRAL BANK OF INDIA, LTD.

(Established December, 1911)

Head Office: **Mahatma Gandhi Road, Fort, BOMBAY-1.**

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

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Managing Director.

A DELHI DIARY

ADJOURNMENT FOR REGROUPING?

IT has been heavy going on the Companies Bill. On Wednesday this week there was a virtual stalemate on Clause 197. This was generally considered a coming battle line; it is known that forces were being arranged for the fray. One wonders, however, whether with so much attention given to the change in this clause, politicians are aware that the existing law allows remuneration of 15 per cent of net profits of a Company. The new clause cuts this down to 11 per cent of net profits, or, when there is no profit or no adequate profit, to a sum not exceeding Rs. 50,000 per annum. When the exchanges showed that the Finance Minister's steady trench warfare was not making much headway Mr. N. V. Gadgil—more recently in a conciliatory mood—suggested the adjournment of the discussion to the time when other clauses relating to managerial remuneration were taken up. This has reminded me of the sound advice of a skilful remark in one of Bernard Shaw's plays in which a retired administrator proclaims that the highest secret of administration when councils were divided is to be found in an adjournment. This was a concession, although the Finance Minister made it clear that the clause was being held over for convenience of discussion and he was contemplating no substantial changes in it.

Almost the only comment I shall make on the mass of confusion that exists on the problem of what is involved in establishing and running a Corporation was Mr. Sadhan Gupta's suggestion that the lower limit of Rs. 50,000 was "fabulous". Seeing that this might cover the remuneration of two or three Managing Directors what this implies is that the salary of Rs. 1,500 to Rs. 2,000 per month might be "fabulous". If this is "fabulous" so is the salary of every Minister of the Central Government. Perhaps I should give Mr. Sadhan Gupta credit for consistency. He would certainly answer in the same terms. What is less understandable is that members of the Congress Party while being quite ready to support existing salaries of Ministers—Hope springs eternal in the human breast!—fail completely to appreciate the point that salaries in business cannot be lower. Business men do not enjoy the prestige and the delight in the exercise of power which must be considered a highly valuable "perquisite" in a Minister's hands. They should, it seems, have more money by way of compensation.

AND THE USSR

Not a little interest in the discussion attached to salaries in the USSR. The Finance Minister replying to the debate said that "members of the Opposition are very careful on these occasions to forget what is paid to top managing directors in countries like the USSR or in countries in Eastern Europe. Their salaries were 10,000 to 15,000 roubles per month." Mr. K. K. Basu whose information on USSR struck me as being surprisingly quick, if not entirely accurate, said "The minimum wage there is 1,000 roubles". The Finance Minister proved himself fully equal to the occasion. He corrected Mr. Basu in one sentence and struck him with another. He said "I am aware that the wages of the labourer there are, perhaps 800 to 1,000 roubles", thus indicating that Mr. Basu's minimum figure was an error. He then went on to say that after everything has been said, 15,000 roubles is 15,000 roubles. There was laughter, and, this time, no dissenting voice.

LOUISIANA PURCHASE?

There has been interest in Delhi on a statement issued by Sir Mirza Ismail on Hyderabad's negotiations with Portugal for the purchase of Goa some years ago. Sir Mirza, who was President of Nizam's Council, said in a letter to "The Times" in London that in 1947 at that time he had made an informal approach to the Portuguese Government through British friends, suggesting that since Goa could not long remain in Portuguese hands it might be transferred to Hyderabad State for an "agreed" payment. At that time Portugal was not willing to transfer sovereignty but was prepared to associate Hyderabad in the administration of the port of Marmagoa. Sir Mirza takes the line that this furnishes ground for believing that "with mutual understanding and patience things might gradually come right". There are a few, but very few, people in Delhi who think that the possibility of negotiations is not entirely removed. I sometimes wonder whether there is a point in Sir Mirza's suggestion on joint administration of an area. I suppose the Portuguese like most distinguished Orientals (particularly the Chinese and ourselves) have some "face" to save on occasions such as these. They have protested too much about their sovereignty to suddenly back down without serious political repercussions. Would not a specific proposal of a joint administration of Goa at the present time be a convenient stepping stone to what is called the softening of defence on both sides?

I ask the question without knowing much about the dangers. I know that if the Government of India makes this suggestion of itself there will be a great howl from the Opposition parties. It seems to me obvious that this is a suggestion which cannot itself also come from Portugal for the same reason. Can the suggestion come in an authoritative form from nobody else? Since I am notoriously indiscreet, may I say that there can be no bar to the United States' making its leadership in the West effective in devising some sort of solution for this problem? After all, it is now freely admitted that India has been an effective go-between in the case of China and the United States. It is likely that the United States' good offices in the Goa case would receive appreciation from everyone except the Communists. Or am I mistaken? Would the United States interest in Goa read as interest in holding a possible base in Western hands for some longer time? The more one reads about foreign policy the more hesitant one becomes in describing what is described as the "popular" view. The popular view in India on the solution of Goa is—what? And is there a "popular" view in Goa about India? Who then will pull the chestnuts out of the fire?

ARGUS.

In the Valley of Decision

ON PONDERING OVER THE PLAN-FRAME

JUST when the dust kicked up by the controversy over the Mahalanobis Plan-frame looked like settling down, a fresh bout of debate is likely to get started on Mr. Nanda's latest note to the A.-I.C.C. members, who are due to meet on Saturday next. Throughout this long note there runs a pink thread of pessimism, revealing a mood of caution which borders on scepticism. Why should our planners thus alternate between moods of great optimism and of deep doubt, even within short periods? Mr. Nanda's note certainly reflects the current mood in the Capital of a certain helplessness in fulfilling the high expectations raised earlier. The Planning Commission has been engaged in recent weeks in trimming State Plans which have grown rather wildly by being fed on earlier promises. Since the Finance Minister's speech of December 21, 1954, finance was regarded as a secondary consideration in the great task of creating 11 million jobs. The first streak of doubt crept in only at the meeting of the Standing Committee of the National Development Council in July, when it was promptly settled by the Prime Minister's determination to seek abnormal, methods of raising finance. A declaration is one thing, but confronted by State Plans prepared in response to the directives of the Planning Commission, the latter has been at a loss for adequate reasons for the drastic scaling down which it had to enforce, and for the extra efforts in taxation which it has demanded of the States. If echoes are heard in the A.-I.C.C. to these decisions, the Minister for Planning, who alone has to interpret the party to the Commission and vice versa, has prepared the ground for providing ready answers.

But Mr. Nanda's note is no mere apologia for the planning body. He could not have overlooked that the effect of the document would be to act as a brake on the bold assumptions made earlier about the rates of progress assumed for the next Plan. Eleven million jobs was of course a rash promise, as all except the faithful knew. The vision of employment was nourished on the illusion that hand industries and domestic manufactures, created immediately and maintained just for the transition period of about ten years and no more—till modernised manufacture could take their place—would give the jobs and mop up inflation by creating consumer goods. Mr. Nanda points out that it would be a mistake to look upon these industries as a temporary expedient, since even short-term results cannot then be expected to follow. The thick-and-thin apologists of hand industries will now find criticism emanating from a quarter which they cannot malign as inspired by vested interests. That is some gain. Mr. Nanda emphasises the low levels of technique, poor organisation, high cost, low returns and the marketing difficulties. And unlike Prof. Mahalanobis, he fails to see the magic wand which would wave away all these difficulties and usher in just one decade of prosperous and obliging handicrafts. Like most men on terra firma, Mr. Nanda refuses to view such industries as a cure for unemployment or of inflation; he only sees them as an integral part of a stable and continuing economic structure.

Indeed, the keynote of Mr. Nanda's thesis is a plea for balance in planning, even though it tends to border on querulousness about the rate of progress, which he thinks may fall below the rate of 5 per cent per annum assumed earlier. The grounds for this fear are not quite convincing. The rate in the first four years of the Plan, it is said, only worked out to about 3 per cent, even when natural factors became suddenly favourable. So, without the prospect of the seasons becoming still more favourable, with possible shortfalls in resources for investment in the public sector and with the investment being high in proportion to output (in heavy industry, railways, etc.)—it has been readily assumed that the increase of national income would also be low, at any rate not as high as 5 per cent. This is an assumption which gives too much finality to current calculations of investment-output ratios—when it is well known that ratios can be altered considerably by right choices in methods of investment. There is no finality about external assistance and deficit financing being limited to Rs. 1,000 crores; and raising additional taxation of the order of Rs. 800 crores may be politically difficult with general elections round the corner, but much might depend on the financing techniques in the earlier years.

It is rather interesting to note that amidst the doubts about resources, investment and ratios, the figure of Rs. 4,300 crores still stands firm and unshakable. The demands of the States and Central Ministries, which amount to over Rs. 10,000 crores, have to be cut by half; and in the process, the Planning Commission has cut a sorry figure. Everyone else professes to be a bolder planner than the Commission has shown itself to be, ever since planning became a public pastime, in which the desire to excel in outlays became keen. In the private sector, too, there has been both optimism and pessimism. The Federation of Indian Chambers of Commerce and Industry has recently been giving itself a sound pat on the back for its intrepidity and for having thought of a total investment of Rs. 7,200 crores (against the Plan-frame figure of Rs. 5,600 crores). On the other hand, Mr. G. D. Birla, (like Mr. Nanda now) has warned against indulgence in such excessive optimism.

From the controversial cauldron, there is expected, in the end, to emerge a more balanced plan—balancing not only between resources and investment but also between the short and the long term, between welfare and sacrifice, and between one region and another. But the gain in balance would not be worth while if there is to be decline in enthusiasm. By all means, let there be no starry-eyed planning, but there need be no cold douche either, on the optimism over the pace of expansion of the economy. Transport, especially railways, and communications, will make large claims on the investment in the public sector and the heavy industrial projects on the balance left. But there is no inevitability, for example, about the development of coal in the public sector, when the private sector is now willing and competent to undertake it under conditions which are consistent with national interest. If the planners can trim such ideological trappings of the investment plan in the public sector—just as they are trimming the State Plans, there is no reason why they should not be able to show better results with available resources.

Mr. Nanda recognises that socialism elsewhere has tended towards concentration of power and resources in the State, reducing the area of freedom and local initiative. Mr. Nanda's note is a bold new essay on the question of means in relation to ends. In the midst of its acceptance of the conventional notions of the public sector, controls, welfare and the socialist pattern, a more practical approach is now visible. And as it takes shape, the Plan-frame which has already undergone change, may evolve into something as non-controversial as the first Five-Year Plan.

WORLDGRAM

AGRICULTURE

Food Production in NEFA: By the end of the second Five-Year Plan it is intended to make the North-East Frontier Agency self-sufficient in food. The Agency is at present deficit in food, which has to be imported into the interior areas for public sale mostly by air and at great cost. A batch of 30 tribal young men has begun a two-and-a-half month training course in improved methods of agriculture at the Agricultural Institute at Pasighat in Siang Frontier Division of North-East Frontier Agency. This course is expected to give the tribal people sufficient background to enable them to play an effective role in the plans of the administration to increase food production in the Agency. After completion of the course they will be employed as agricultural workers.

*

Cotton Production in 1953-54: India recorded a great stride in cotton production in 1953-54 and was well on the way to attaining self sufficiency in regard to her requirements of cotton of less than 1-1/16" in staple, says the annual report of the Indian Central Cotton Committee for the year ending August 31, 1954. The report adds that the area under cotton in 1953-54 was 17.0 million acres against 15.7 million acres (revised) in the previous year. On the basis of the official estimates, the production of cotton in the country during the year under report was 39.4 lakh bales of 392 lbs. each against 31.3 lakh bales (revised) in the previous year.

*

Conservation of Forest Resources: Two Himachal Pradesh Bills—the Private Forests Bill, 1954, and the Consolidation of Holdings (Amendment) Bill, 1955, have received the President's assent. The object of the first Bill is to help conserve forest resources of the State by providing for management of forests belonging to private owners in accordance with a working plan prepared by the State's forest department. When the owner fails or refuses to do so, the management of the forests would be taken over by the forest officers and the profits of the forests paid to the owners after deduction of 10 per cent. This Bill also provides for plantation of trees on waste lands.

*

Grain Crop in America: It is reported, total farm output in America this year would be the largest on record, and crops might match the 1948 record. The wheat crop is estimated at 911 million bushels and the maize crop at 3,478 million bushels. The July 1 wheat estimate was 860 million bushels. The maize estimate a month ago was 3,450 million bushels. Last year there was a drop in the estimate from 3,311 million bushels at July 1 to 2,824 million bushels at August 1 and the actual harvest turned out to be 2,965 million bushels.

INDUSTRY

Manufacture of Musical Instruments: An institute to provide training in the manufacture of Indian musical instruments is to be set up in Madras by the All-India Handicrafts Board. A pilot scheme for the establishment of the institute has been approved by the Executive Committee of the Board. The Institute will offer a course in musical instrument making on scientific lines so that instruments of standard quality could be supplied to the public. A selected number of students, who possess some knowledge of music as well as a taste for the study of musical instrument making will be taught the art of making musical instruments.

Output of Iron Ore in June 1955: The estimated total output of iron ore mines in India decreased to 313,700 tons in June, 1955, from 378,835 tons in May, according to official statistics released by the Chief Inspector of Mines in India. Returns received from 71 mines for the month of June show despatches totalling 236,174 tons to the iron and steel plants and 54,377 tons to the export market. The reported stocks at the end of the month amounted to 1,192,209 tons.

*

Filter Cloth for Sugar and Oil Industries: A draft Indian standard specification for filter cloth, grey, for sugar and oil industries has been prepared by the Indian Standards Institution. The draft covers general requirements such as quality of yarn and cloth and specific requirements for two varieties of filter cloth, such as ends per inch and picks per inch, weight per square yard warpway and weftway breaking strength, bursting strength, size content, length and width of cloth. References to relevant Indian standards for determining the values of characteristics given under the specific requirements have been mentioned in the draft.

*

Canadian Automobile Production: Canadian automobile production reached more than 58,000 vehicles in May, an increase of 4,000 over April, and 20,000 higher in May 1954. This was the third successive monthly increase, which more than counter balanced decreases in January and February. For the five-month period, the total was 225,000 nits, against 216,000 in 1954. Shipments also rose sharply in April after a three month decline, and at 67,000 were substantially higher than in April 1954.

*

New Fish-Drying Process: A new technique of fish processing which may prove of great value to the fishing industry, especially in tropical regions, has been developed by a Scottish firm. The process consists of vacuum-drying the fish to reduce it to a condition in which it can be conveniently packed for future use or transport. The completed product is a small block which, when placed in water for eight hours, becomes a slab of fish such as one might buy at a fishmonger's. The company, which has developed this process in its Aberdeen factory, believes that it will prove invaluable to the industry as a means of absorbing surplus catches of fish without incurring heavy cold-storage charges or suffering loss through deterioration.

TRADE

Trade Agreement with Indonesia: The Indo-Indonesian Trade Agreement has been further extended up to December 31, 1955 by an exchange of letters. The Trade Agreement between India and Indonesia which was originally signed on January 30, 1953 provides for the exchange of goods between the two countries subject to and within the scope of the general import and export regulations in force from time to time in each country.

*

Israel-Dutch Trade Agreement: The sixth trade agreement between Israel and the Netherlands was signed in Jerusalem recently. The new agreement provides for an exchange of goods between the two countries to a total value of 22,500,000 florins (approximately $6,000,000). The previous agreement was for an exchange of goods to the value of 17,000,000 florins ($4,500,000). The new agreement is for 12 months and is retrospectively valid as from May 1, 1955. It is

subject to automatic renewal. Israel's main purchases, as before, will be foodstuffs, eatable and industrial oil, chemicals, raw materials and machinery. She will export mainly citrus fruit and agricultural products, but increasing possibilities are opening for the export of tyres, fertilizers, glass and plywood.

*

China and Egypt Sign Cotton Contract: A contract, under which Egypt will sell to China 40,000 bales of cotton totalling over 13,000 tons has been signed in Cairo. The contract was signed after negotiations between the representatives of the China National Import and Export Corporation and the Cotton Commission of the Egyptian Government. In addition, the China National Import and Export Corporation has purchased 6,000 bales (2,000 tons) of cotton on the open market in Egypt.

*

Philippine's Foreign Trade: The foreign trade of the Philippines in the first quarter of 1955 was marked by relatively high imports and by exports below the usual seasonal high levels. When compared with the corresponding period of 1954, total imports rose by about $50 million while exports fell by about $15 million. The increase in imports resulted from the continuation of the liberal import policy first adopted by the Philippine Central Bank at mid-1954. The lag in exports is accounted for chiefly by delays in making shipments of sugar.

FINANCE

Customs and Excise Revenue for June 1955: The total gross sea and land customs revenue collected in the Indian Union during June, 1955 amounted to Rs. 1362 lakhs as compared with Rs. 1274 lakhs in the corresponding month of the previous year. Of the total customs revenue collections, import duties accounted for Rs. 1075 lakhs as against Rs. 1066 lakhs. Export duties for Rs. 277 lakhs as against Rs. 189 lakhs and land customs and miscellaneous for Rs. 12 lakhs as against Rs. 19 lakhs. The total gross collection of Union excise duties amounted to Rs. 1276 lakhs as compared with Rs. 777 lakhs.

*

Central Loans to the Shipping Companies: Rs. 215.42 lakhs have been given to shipping companies so far in 1955-56 for the purchase of ships outside India. Out of the total of Rs. 924.58 lakhs sanctioned during 1954-55, Rs. 496.42 lakhs had been drawn by the shipping companies so far. Seventeen ships had been purchased or ordered for purchase from abroad since April 1, 1954, with the aid of Government loans. Two ships each had been purchased from West Germany and Norway, one from Sweden and three from the United Kingdom. Orders for nine ships had been placed in West Germany.

*

Mysore Sales Tax Legislation: The President has assented to the Mysore Sales Tax (Amendment) Bill, 1955. The Bill extends the Mysore Sales Tax Act to Bellary district where a sales tax appelate tribunal is already functioning under the Madras General Sales Tax Act. The Bill also provides for the levy and collection of sales tax on sales effected by the State Government, and validates assessments and collections which have already been made under the earlier Act.

*

Grants for Rebate on Sales of Handloom Cloth: Grants of over Rs. 50 lakhs were sanctioned up to August 10, 1955 since the beginning of the year to various States for providing rebate on sales of handloom cloth. Madras gets Rs. 24 lakhs, while Andhra and Uttar Pradesh get Rs. 10 lakh each. Bihar gets Rs. 8 lakhs, Hyderabad Rs. 3 lakhs and Travancore-Cochin Rs. 2 lakhs. Other States which get grants less than one lakh include Assam, West Bengal, Orissa, Punjab, Madhya Bharat and Pondicherry.

*

Central Aid for Development of Village Industries: Further grants of about Rs. 10 lakhs and loans of nearly Rs. 6 lakhs have been sanctioned by the Government of India to the All-India Khadi and Village Industries Board and the States of the Punjab, Andhra and Mysore for the development of village industries. The Board has been given two loans of Rs. 4,75,000 and Rs. 15,000 and a grant of Rs. 3,75,000 for the development of the village leather industry. For establishing community production centres to develop village industries on an intensive basis, the Board gets a grant of Rs. 2,22,000 and a loan of Rs. 93,000. At the same time a sum of Rs. 1,50,000 has been sanctioned to the Board as grant for the development of the hand-pounded rice industry during the current financial year.

*

Excess Profits Tax Refunds: It was announced in 1951 that premature refunds of Excess Profits Tax deposits and part E.P.T. would be allowed for the purpose of being adjusted against income-tax demands outstanding before June 10, 1951. The Government of India have now decided to permit the issue of such premature refunds for the purpose of reducing tax liabilities which are outstanding out of the demands which had become due before June 1, 1953. Assessees who wish to apply for refunds in accordance with this decision may obtain necessary application forms from the Excess Profits Tax Officer concerned.

MISCELLANEOUS

Oil Refineries: Oil refineries throughout the world owned by British and associated Dutch interests had a total capacity, at the beginning of 1955, of 127,000,000 metric tons—an increase of about 8,500,000 tons on the comparable figure for 1954. British and Dutch-owned plant in the United Kingdom and Western Europe accounted for 44,000,000 tons out of a total of 111,000,000 tons. In Latin America, British and Dutch capacity totalled 28,000,000 tons out of 98,000,000 and in North America a further 28,500,000 tons. In the Middle East, British and Dutch interests owned some 13,000,000 tons, and in the Far East and Australia a further 14,000,000 tons. Announcing these facts, the Petroleum Information Bureau said in London on August 18 that only U.S. companies (with some 504,000,000 tons out of a world total of 820,000,000 tons) controlled a greater capacity. Russia and other countries of the Soviet bloc had refineries with an estimated capacity of 73,000,000 tons, and the refining capacity of all other countries totalled 116,000,000 tons.

*

Carp Hatchlings in Assam State: About 10 lakh carp hatchlings were obtained and reared for stocking the waters in Assam as a result of the assistance provided by the Fisheries Extension Unit of the Union Ministry of Food and Agriculture to the State Fisheries department of Assam during May and June this year. Hatchlings available for stocking in the previous year were about 8,000 only. The Unit provided technical help regarding the collection and hatching of carp eggs and rearing of fry. Operations were carried out at Nazira and Joysagar in upper Assam. The "Behundi" net generally used in Bengal, Bihar and Orissa, was suitably modified for use from adjustable bamboo scaffoldings erected along the steep banks of the river Dikhav in swift currents and rapidly changing water levels.

NEWS IN BRIEF

INDIAN

Under the second Five-Year Plan, the Delhi Road Transport Authority contemplates the purchase of a fleet of 400 buses for urban routes. Nationalisation of all suburban service is planned. Nearly 140 buses will be purchased this year.

*

Three ships now being built in Germany for the Scindia Steam Navigation Company are to be provided with British radio communication and navigational aid equipment.

*

The Government of India have decided to release quotas for export from the States of Madras, Andhra, Bombay, Bihar, Saurashtra, Punjab, Mysore and Hyderabad.

*

There are at present 32 Central Research Institutes and Laboratories engaged on agricultural research. The total expenditure incurred on them in 1954-55 was Rs. 144,41,352. The Central Government's contribution to these institutions amounted to Rs. 126,14,989 during that period.

*

It is reported a sum of Rs. 18.23 crores approximately has actually been sanctioned as loans to Indian shipping companies for the purchase of ships.

*

Provisional ceilings of Rs. 3.5 lakhs and Rs. 15 lakhs had been fixed for the current year for the schemes for removal of untouchability and the welfare of scheduled tribes and development of scheduled areas respectively for Madhya Bharat.

*

The production of razor blades in the country during the first quarter of 1955 totalled 59.2 million as against 48.8 million in the last quarter of 1954.

*

The Government of India have offered to award in 1956-57 five scholarships to candidates who by birth or domicile are natives of Part C States or of Andamans and Nicobar Islands.

*

The Hindustan Shipyard increased its turnover in 1954-55 by about 90 per cent as compared with the previous year. The total turnover during the year was Rs. 2.1 crores as against Rs. 1.16 crores in 1953-54.

*

At the beginning of this year 1,543 Indians were employed in technical posts in 1,208 foreign owned or controlled firms in India in the salary group of Rs. 1,000 and above per month as against 2,799 non Indians. In other posts in the same salary group, 2,324 Indians were employed as compared with 3,751 non-Indians in those firms.

*

The potential capacity of indigenous production of goods wagons in the 1956-57 rolling stock programme is between 15,000 and 16,000. At present eight firms are supplying goods wagons to the Indian Railways, most of them capable of supplying several types of wagons.

*

A sum of Rs. 3,70,245-4 has so far been spent on the Board of Editors set up to collect material for writing the History of Freedom Movement.

*

The Government of India have granted a sum of Rs. 5,90,000 to the State of Saurashtra to assist the Grow-More-Food programme of the State during 1955-56.

FOREIGN

The International Bank for Reconstruction and Development has made a loan of $4.2 million in various currencies to the Karnaphuli Paper Mills Ltd., of Pakistan, to finance part of the foreign exchange costs incurred in the construction of a pulp and paper mill at Chandraghona in East Pakistan.

*

A four-week technical meeting and training centre on farm-mechanization and workshop problems organised by F.A.O. in collaboration with the Government of Ceylon, for the benefit of Asian and Far East countries will shortly be held in Amparai, Ceylon.

*

The 100th irrigation project built with the aid of materials supplied by the United Nations Korean Reconstruction Agency (U.N.K.R.A.) was recently dedicated at Namkok in the Republic of Korea.

*

A U.S.-Peruvian joint technical commission has been established to carry out studies of public works, irrigation, transportation and industries.

*

It is reported the Egyptian Government will buy $28 million worth of machinery and equipment for a huge dam on the Nile, railways, steel and fertilizer plants.

*

The Italian Government has under consideration a Ten-Year Plan, expected to cost $50,000,000,000 and to create 3,200,000 jobs for the unemployed. Also called the Vanoni Plan, it envisages a 60 per cent increase in exports and 43 per cent increase in imports during the period 1955-1965.

*

Pakistan's $30 million scheme to irrigate 710,000 acres has been supported with an additional U.S. contribution of $2,504,600. It is likely that the irrigation project will be completed by 1957.

*

Uruguay is planning to substitute diesel engines for steam locomotives in its railroads. The Minister of Public Works, has also endorsed the idea of a Four-Year Plan to rebuild and improve the roads of each province.

*

Venezuela's new petro-chemical industry has acquired a 5000, acre tract of land in Moron, near Puerto Cabello, where it hopes to build a plant scheduled for completion by mid-1957 and for full operation by 1957.

*

Peru and Bolivia have agreed to set up a commission to plan construction of a railroad that would link the two countries and later lead to utilisation of a huge hydro-electric potential from Bolivia's Titicaca Lake.

*

Following years of fruitless drilling, oil has at last been found on the island of Maraji, at the mouth of the Amazon river.

*

Shipping freight rates between Australia and the Far East will be raised by 10 per cent from October 1, this year, because of the higher operating cost.

*

The Central Credit Commission of West Germany has decided to raise the credit charges on over drafts by 0.25 per cent to 8 per cent per annum (5 per cent interest and 3 per cent commission) and charges for non-approved overstepping of credit lines to 9.5 per cent per annum.

Economic Report from the U. S.

FEDERAL BUDGET

(By Guy Sims Fitch)

WASHINGTON Aug. 30.—The American people heard some cheering news last week: for the first time since 1951, the Federal Budget shows promise of being balanced in the current (1956) fiscal year, ending next June 30. This brings closer to realization the prospect of substantial tax reductions next year. Figures presented by Treasury Secretary George Humphrey and Budget Director Rowland Huges still show a deficit of $1,700 million for the 1956 fiscal year. But this is a sharp reduction from the previous year's actual deficit of $4,200 million, and there is good reason to believe it can be erased entirely. Both Humphrey and Hughes have stated flatly that the budget can and should be balanced in the next 10 months.

A look at the record shows why, in their traditionally conservative manner, the nation's fiscal experts have presented what may turn out to be rather modest estimates of Government receipts for the year ahead. Basing their assumptions on the current strength of the economy and the optimistic outlook, they have forecast tax revenues of $62,100 million. This would be a gain of $1,800 million over intake during the 1955 fiscal year, and of $2,100 million over the preliminary 1956 estimates presented to Congress last January. They assume that both personal and corporate tax receipts will increase, while excise levies will remain about the same. They look for personal income to maintain an annual rate of $300,000 million for the rest of the 1955 calendar year, and to continue into 1954 at a somewhat higher rate. Thus, they say, personal income-tax receipts should total about $32,800 million—about $300 million more than the January estimate and $1,200 million more than last year. It is noteworthy that personal income reached a record annual rate of $300,500 million in the second quarter of this year, and was higher than that in both May and June, the most recent months for which such data are available.

As for corporate tax receipts, the experts have estimated these at $19,200 million—some $2,200 million more than the January estimate and $2,600 million more than last year. This is based on an anticipated corporate profit level of $40,600 million in the 1955 calendar year—a conservative enough estimate considering that second quarter profits were up to an annual rate of $42,500 million from $40,900 million in the first quarter.

On the matter of expenditures, the experts have estimated Federal spending in the 1956 fiscal year at $63,800 million. While this is a reduction of $700 million from actual outlays in fiscal 1955, it is $1,400 million more than estimated last January. And it assumes that the nation's defence establishments will hold their outlays to no more than $34,000 million, saving about $1,000 million as the year progresses. Most of the big increases in spending are tied to programmes over which the Eisenhower Administration has little control—largely greater outlays for farm surpluses, higher interest payments on government securities, and increased benefits fixed by law for Korean veterans. But the Administration, which has described its philosophy as conservative in money matters and liberal in human affairs, also plans some substantial increases in outlays for public welfare, including school, hospital, highway, flood control, reclamation and power programmes.

With the budget so close to balance, it would take only slight changes in receipts or expenditures to end the six-year run of Federal deficits. The Administration already has advised executive agencies to cut unnecessary expenses. And Congressional leaders, who must pass on the Administration's budget requests, have expressed confidence that they can find additional room for economies, if needed. It is no secret that both the Republican Administration and the Democratic-controlled Congress welcome the opportunity to balance the budget and cut taxes in 1956, a presidential election year.

Will tax cuts have to wait until an actual budget balance is achieved? Humphrey and Hughes say no. All that is required, they note, is that the trend toward balance be continued, with the Administration knowing where the money is coming from. They take particular pride in the fact that the improved budget outlook has been achieved while both inflation and deflation have been avoided. "The cost of living and the value of the dollar", they point out, "have been held steady for the past 25 years.".

THE EASTERN ECONOMIST PUBLICATIONS

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Special Articles

TRADE PACT WITH PAKISTAN

THE chief merit of the trade agreement between Indian and Pakistan which became effective yesterday is that the two-year old stalemate has been broken and a bilateral machinery has been set up to stimulate the volume of trade. After the expiry of the previous bilateral trade agreement in September 1953, a modus vivendi could not be evolved for smooth traffic by the two governments. Only a limited scheme could be approved for trade in raw jute and coal for a three-year period due to termination in June 1956. Whatever volume of trade was carried on in other commodities under the normal channels of international trade was limited in size.

This agreement brings great relief to the people residing in the adjoining regions on both the sides of the eastern frontier. The artificial barriers to trade between the border areas of East Bengal, on the one hand, and the border areas of West Bengal, Bihar, Assam and Tripura, on the other, have now been removed and after a long lapse of seven years unrestricted trade facilities have been opened up. Holders of A category visas are now at liberty, without being placed under any obligation to render compliance with import, export and exchange control regulations, to conduct trade in daily necessities and local products without having to pay the regular customs duties. This concession, based essentially on humanitarian considerations, is calculated to give a fresh impetus to the frontier trade in the East.

The basic trend of progressive shrinkage of the size of the trade between India and Pakistan is a matter of common knowledge, but the magnitude of the decline is not, perhaps, fully recognised. Table A below summarises the value of trade between the two countries since 1948-49:

TABLE A

Trade Between India and Pakistan

(Value in Lakhs of Rupees)

Year	Imports from Pakistan	Exports to Pakistan	Trade Surplus(+) or Deficit(—)
1948-49	107,37	76,69	—30,68
1949-50	44,05	43,30	— 75
1950-51	43,56	30,60	—12,96
1951-52	97,50	45,29	—42,21
1952-53	41,88	31,14	+ 9,26
1953-54	19,27	8,02	—11,25
1954-55	19,38	9,65	— 9,73

The sudden spurt in trade in 1951-52 which pushed India's deficit to an all-time peak was due to her heavy intake of jute. The normal tenor of deficit for India was upset only once in 1952-53. In that year, cotton textiles, jute manufactures, coal, edible oils, chemicals and drugs and medicines, tobacco and a few other items accounted for more than the usual volume of exports from India.

The significant fact about this table is the depressed level of the trade after the stalemate over a renewed bilateral agreement took place in 1953. During the last two financial years, the value of imports from Pakistan has been sustained at a steady, if marginally reduced, level by our intake of two categories of commodities—raw jute and fish. The value of our raw jute imports stood at Rs. 14.32 crores in 1953-54 and Rs. 13 crores in 1954-55.

An outstanding characteristic of the last two years' trade is the steep decline in India's exports to Pakistan by more than two-thirds as compared to the previous low since 1948-49. India has lost heavily on three fronts—cotton textiles and yarn, jute manufactures and miscellaneous goods including silk and silk piecegoods, metals, rubber manufactures and salt. The magnitude of the decline needs emphasis. Exports of cotton textiles and yarn fell from Rs. 4.98 crores in 1952-53 to Rs. 72 lakhs and Rs. 2.28 crores in the succeeding two years. For the same three years, the decline in exports of jute manufactures was from Rs. 3.26 crores to Rs. 7 lakhs and Rs. 4 lakhs. In the miscellaneous category, the drop was sudden from Rs. 2.67 crores to a negligible amount.

The question that arises in the light of this steep fall in India's exports is: What prospect does the new trade agreement hold for a revival of the trade in her staple exports?

There is a facile tendency on the part of the people in India to assume that the change in the pattern of Pakistan's imports from India is the result of a political twist intentionally given to it. Whatever truth there may be in this belief has been magnified out of all proportion. But one fact is quite clear. It is that there is in this country very insufficient appreciation of the strides which Pakistan has made in industrial production in the short span of seven years. Table B in this article highlights the rapid progress registered by certain industries in Pakistan most of which have been selected from the angle of their importance to India's exports:

TABLE B

	Unit	1948	1952	1953	1954
Surplus yarn	000 lbs.	6,203	19,981	52,540	100,452
Mill-made cloth	000 yds.	88,059	174,160	251,550	347,862
Art-silk Fabrics	000 yds.	—	3,697	10,185	12,566
Jute Manufactures	Tons	—	17,573	50,126	53,900
Rubber Tyres & Tubes	000 nos.	—	776	1,367	1,902
Tanned Leather (Upper)	000 sq. ft.	1,000	7,200	7,200	8,600
Sole Leather	000 lbs.	1,500	8,300	8,300	9,600
Steel Ingots	000 tons	2	7	10	10
Steel Rerolling	000 tons	3	27	25	60

This rapid progress over a wide range of industries relieves Pakistan of her reliance on imports in varying degrees. This factor needs to be considered in conjunction with Pakitsan's tight foreign exchange position necessitating restrictive import policy. Customs duties have been raised also on account of a vigorous policy of protective tariffs. Raising of import duty on diesel oil engines up to 50 h.p. from 5 per cent ad valorem revenue duty to 35 per cent ad valorem protective duty offers one illustration in which this country is concerned.

In so far as the major export commodities from India are concerned—jute manufactures, cotton piecegoods, art silk fabrics, engineering industry products, rubber manufactures, and so forth—it is difficult to cherish bold optimism. For one thing, domestic pro-

duction in Pakistan has altered the position as a permament feature of trade. This applies to jute manufacture in a large degree. The trade treaties that Pakistan has entered into with certain European countries, including West Germany and France, would divert the direction of the bulk of her imports of cotton textiles and art silk fabrics to these countries. India, therefore, will not find a return to the Pakistan market in these commodities an easy process.

The terms in this agreement relating to the two-way trade in cinema films at least assist the renewal of India's exports to East Pakistan, but in respect of West Pakistan there is a collateral obligation for India to import. In other material respects, the recent pattern of trade both ways gets an added measure of assistance for expansion. It may be considered a satisfactory performance if India is enabled to recover a substantial part of the ground lost in the last two years.

MARKET FOR MACHINE TOOLS

THE question of development of India's machine tools industry has hit the headlines following the unpleasant revelations made by the Colombo Plan expert, Mr. J. D. Scaife, in regard to the working of the State-owned factories at Jalahalli and Ambernath. The Minister for Defence Organisation has too readily taken shelter under Mr. Scaife's exaggerated language to cover up the extremely disappointing working of these State undertakings. The British expert has at least done the service of drawing public attention to the unbusiness like planning and the pitiful lack of statistics, relating particularly to the demand for machine tools in the country where a large percentage of idle capacity in the industry is ready to be made use of to minimise the country's dependence on imported tools. Whatever may be the Government's counter-criticism of Mr. Scaife's report, the fact remains that crores of rupees have been locked up in costly equipment, while Government continues to spend huge sums of foreign exchange for import of large consignments of machine tools for current requirements.

According to official sources, the total outlay on the Jalahalli plant is Rs. 4 crores so far, and it has given precious little in return. The capacity of the factory is 400 lathes of 8½ in. size to be achieved in two years—and, if and when this is actually achieved, private concerns already manufacturing lathes of similar dimensions may suffer unfair competition.

In its endeavours to assess, as accurately as possible, the country's requirements of machine tools, the Panel for the industry (which was constituted by the Engineering Capacity Survey Committee and which has submitted its preliminary report to the Government) has admitted its failure to obtain necessary data from any official or other reliable source. The largest single customer for machine tools is the Government, and its demand is met, to a preponderant degree, by tools imported from abroad. And the only available statistics of imports are the value of total imports of metal working machinery, including machine tools, which are given in the accounts relating to the foreign trade of India, published by the Department of Commercial Intelligence and Statistics. The statistics regarding total value give no indication of the numbers and types of different machine tools imported and, consequently, are of little use. The figures, however, show that there has been a steady rise in the value of metal working machinery, including machine tools, such as drilling, grinding, milling, planing and shaping machines and lathes. The value of these imports, which was Rs. 1.95 crores in 1952-53, rose to Rs. 2 crores in 1953-54 and further increased to Rs. 2.70 crores in 1954-55. There is every possibility of this rising trend being maintained in the current year. The bulk of these orders represents the requirements of the Railways and the Defence Departments of the Government of India. This raises the question: Could not determined efforts have been made to produce some at least of the large varieties of these foreign tools within the country by effecting modifications, wherever practicable, in the productive mechanism of the Indian factories and in the specifications for Government requirements.

It should be mentioned here that the Government's recent policy of inviting direct tenders abroad—the Panel mentioned instances of over Rs. 2 crores worth of machine tools for the Perambur Coach Factory and Bharat Electronics—is depriving the home manufacturers of knowing Government's requirements. The plea extended for placing tenders abroad was that the Government's foreign technical advisers had checked to see if machine tools to the specifications they required were made in India, and failing to locate Indian-made machine tools to the required specifications, tenders were directly placed abroad. Where specifications asked for are just a little different from specifications of machines made in the country, if the manufacturers had knowledge of the specifications of machines required, then in some of the cases it may have been found possible for them to offer similar machines by suitably modifying existing machines in production.

As regards capacity, it has been estimated, on the basis of answers received from certain factories to which questionnaires were sent, that hardly 60 per cent of the capacity would be utilised for peak production of tools. According to another estimate, the production and effective capital investment for machine tool manufacture will be about one-third of their total capital investment. At a rough estimate, the capital utilised for machine tool manufacture by all the factories concerned could be taken as approximately Rs. 1.25 crores. On an average in 1952, the machine tool factories were working hardly 50 per cent of their capacity, and not all this capacity was utilised for machine tools. As the total manufacturing capacity for machine tool manufacture has been estimated at Rs. 1.2 crores, and as the machine tools actually manufactured (taking the average of the last three years) amount to Rs. 0.45 crores, the idle capacity is estimated to be Rs. 0.75 crores, or approximately 60 per cent.

Full details of the country's machine tool requirements must be gathered if we are to draw up a rational programme of manufacture. In this connection, the Panel has made the notable suggestion that machine tools must be properly classified and coded, preferably by adopting the U.K. Code for standard classification of machine tools. Collection of such statistics will, no doubt, take time; meanwhile, the urgent requirements may be met by obtaining a classified coded list of foreign and Indian machine tools purchased by the Government through the D.G.S. & D. and directly by the Defence Department. This would represent approximately 60 per cent of India's foreign purchases.

A Letter to the Editor

THE COMPANIES BILL

Sir,

The powers intended to be conferred upon the Central Government under the Companies Bill now before Parliament in the matter of Control and Supervision of Companies and in regard to obtaining prior sanctions concerning various essential matters pertaining to the conduct of their affairs are so wide-sweeping in scope and so drastic in content that certain equally fundamental and drastic safeguards seem plainly necessary to prevent their abuse in furtherance of either the political ends of the parties in power or the private ends of the members of such parties or of Public Servants.

The following appear to be the minimum safeguards essential for this purpose:

(1) Contributions, Donations or Gifts (by whatever name called) by Companies to Central, State or Local Political Funds, Party Funds, Election Funds, and to "Purses" for political leaders (except to perpetuate their memories after they have passed on to the next world) should be totally prohibited. This will not affect any fundamental or constitutional rights of Companies because they can neither vote nor stand for elections; and the furtherance of political ends is rarely, if ever, among their objects in the very comprehensive Memorandum of Association which most Companies adopt.

(2) The above prohibition should be enforced by appropriate penal provisions (including imprisonment extending over not less than one month) directed not only against Directors, Managing Agents, Secretaries and Treasurers, Managers, etc. of the defaulting Company but also against the direct recipients and indirect beneficiaries of such contributions and those who solicit them.

(3) The seeking or offering, recommending or soliciting, of jobs in a Company, or in, with or under any Managing Agent, Director, Secretaries and Treasurer etc. of a Company by, to, for or on behalf of any person in whom a Public Servant or any member of the Central or State Legislature or Local Authority is directly or indirectly interested or deemed to be interested by reason of any relationship, however remote, by blood or marriage, should be prohibited.

(4) Every person directly or indirectly concerned, or deemed to be concerned, in such seeking, offering, recommending or soliciting of any such job to or for any such person should be liable to imprisonment extending over not less than one month.

(5) The Managing Agent, Directors, Secretaries and Treasurers, and Manager of any Company knowingly employing any person in respect of whom the seeking, offering, recommending or soliciting of jobs is prohibited should also be liable to imprisonment extending over not less than one month, quite irrespective of whether or not there was in fact any seeking, offering, recommending or soliciting of job in that case.

I feel confident that the above provisions, being demonstrably in the Public Interest, should not encounter opposition from any direction. They will not also contravene any fundamental rights or other provisions of the Constitution. However, if it should be subsequently held by the Supreme Court that they—particularly (3), (4) and (5) above—have that effect, the Constitution itself should be suitably amended because it cannot be allowed to afford shelter to malpractices and corruption.

Yours faithfully,
SHAREHOLDER.

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The Business World

A PLAN FOR COTTON TEXTILES

By

CROESUS

EVEN in a socialistically patterned economy I do not think that a place would be denied to an industry which seeks not only to further its own prosperity but also to contribute to the well-being of the community and the country at large. Since this is the basis of the programme of the Indian cotton textile industry which it has just forwarded to the Planning Commission, it follows that the future of the cotton textile industry in this country is assured, provided, as the industry hopes, the Planning Commission, labour and the three sectors of the industry would give to these proposals the dispassionate consideration that they deserve, "so that the co-operative endeavour of that section of the community which derives its livelihood from the cotton textile industry should not only bring prosperity to itself, but also give back to the nation at large, a plentiful supply of cloth at reasonable prices." This is, indeed, the highest service that not only the cotton textile industry but any industry can render to the country as its part in the second Five-Year Plan.

The proposals relating to the role of the cotton textile industry in the second Five-Year Plan have just been submitted in a memorandum prepared jointly by the Millowners' Association, Bombay, and the Ahmedabad Millowners' Association. These two Associations, it may be noted, represent more than 76 per cent of the installed loomage and 66 per cent of the installed spindleage of cotton mill industry in the country. I mention these figures only to stress the point that their views must not only be regarded as weighty, which the views expressed by these bodies always are, but also sufficiently representative.

The millowners' targets to be attained by the industry and its two complementary sectors, namely, the handlooms and the powerlooms, by the end of the second Five-Year Plan, it is noteworthy, are not only more ambitious than the targets indicated by the Kanungo Enquiry Committee but also seem to be in conformity with the likely pattern of cloth consumption that is to emerge as a result of the estimated increase in the country's national income and the resultant per capita increase of cloth consumption. The memorandum (submitted by the two Associations to the Planning Commission) envisages a total production of 10,000 million yards of cloth by the end of the second Five-Year Plan which will be apportioned among the cotton mills, the handloom sector and the powerloom sector at 7,800 million yds., 2,000 million yds. and 200 million yds., respectively. This would necessitate, according to the memorandum, 15.5 million spindles (including an addition of 3.6 millions and 298,000 looms (including an addition of 90,000 looms). It has been estimated that the total finance required for the new equipment, as also for rehabilitation over the five-year period, would amount to Rs. 233 crores, while the total actual cotton production would have to go up to 60-65 lakh bales. It is needless to add that, coming as these proposals do from practical business men, every aspect of the problem has been so carefully studied, that all the details dovetail admirably into the presented pattern.

In having placed before the country a target of 10,000 million yards, I must say, the mill industry has effectively answered the charge levelled against the industry so often that it is not interested in making available to the people more cloth because of considerations of profit. But this is only incidental. The more fundamental consideration underlying the proposed targets is the anxiety of the industry not to allow a perpetuation of what the Planning Commission has called "pseudo-employment" (Vide Chapter II, Para 6 of the first Five-Year Plan) which leads to a rise in money incomes without a corresponding increase in the supply of the goods needed for sustaining the newly employed. Cotton textiles are a basic essential and, in order to ensure their availability at a reasonable price as well as to ensure an increase in the productivity of labour in the short run, it is essential, as the memorandum points out, to earmark for modern high productive equipment a major portion of the increase which is necessary in the productive capacity of the textile industry. This means a reallocation of the productive targets assigned to mill, handloom and powerloom sectors, but it seems to be called for, as, in the opinion of the two Associations, even the improved handlooms and the powerloom, thanks to their relatively low productivity, will noly help to create the type of pseudo-employment referred to already and not materially add to the total quantum of production.

The difference in the targets of cloth production as between the Kanungo Committee and the millowners is appreciable. Such arises from the fact that the latter consider the per capita consumption assumed by the Kanungo Committee as totally inadequate in the context of the impressive increase in national income that is expected under the second Five-Year Plan. As against 15 yds. which the Planning Commission has aimed at under the first Five-Year Plan by 1955-56 and the 18 yds. postulated by the Kanungo Committee by 1960, the Millowners' Association memorandum has assumed a per capita consumption of 22 yds. at the end of the second Five-Year Plan. That even this latter figure is not unduly ambitious is borne out by the fact that this increased per capita consumption of cloth would still be only slightly higher than Japan's about two decades ago (in 1926-27) and would continue to be almost the lowest. At 22 yds. per head for an estimated population of 400 million by 1960-61, the total requirements for internal consumption alone would work out to 8,800 million yds. To this must be added the minimum estimated exports, which are admitted, on all hands, to be between 1,000-1,200 million yds., or an average monthly export figure of 100 million yds., making a total in round figures of 10,000 million yds. According to the Kanungo Committee, mill production presently is at the rate of 5,000 million yds. while that of handloom and powerlooms is 14,000 million yds. and 200 million yds., respectively, making a total of only 6,600 million yds. While the Kanungo Committee plans to increase the total production by all sectors of the industry to only 8,200 million yds. by 1960, the Millowners' Association wants to raise it to Rs. 10,000 million yds. On this basis, it will be seen that, even after fully implementing the recommendations of the Kanungo Committee in regard to conversion of ordinary handlooms into improved handlooms and powerlooms, and assuming that the handlooms and the powerlooms yield the production allotted to either of them, there would still be a gap of 1,800 million yds. This atleast can be safely entrusted to the mill industry. But the two Associations are doubtful of the ability of the handloom-cum-powerloom industry to fulfil even the role assigned to it by the Kanungo Committee and are afraid that any expansion of the handloom sector will only multiply its present difficulties. In this connection, their memorandum to the Planning Commission makes a pointed reference to the observation of the Kanungo Committee itself which visualises (Para 137) a gradual withering away rather than an expansion of the handloom industry. As regards the powerlooms, the Associations think that encouraging them would only be boosting up the industry at great cost to the consuming public as well as to the national exchequer. Besides, it is contended that there is little difference, either on psychological grounds or on grounds of employment potential, between the cotton mill industry and the powerloom industry. In support of this view, the memorandum goes on to give details of the capital/output ratio of mill industry and powerloom industry (on the basis of the figures assumed by the Kanungo Committee, be it noted), and it is pointed out that the capital output ratio for the automaticlooms works out at only Rs. 30 per yard per day as against Rs. 50 per yard per day for the powerloom. For this reason, the two Associations do not see much point in expanding the production of powerlooms. They consider that a feasible target of production for the handloom sector would probably be 2,000 million yds. and they have taken care to point out that, even according to the calculations of the Kanungo Committee, it would be adequate to give full time utilisation for 300 days in a year to the existing 12,00,000 handlooms, capable of providing employment for 15,00,000 persons. In other words, under the proposals of the two Associations, there would not be even the net unemployment of 1,25,000 workers envisaged under the Kanungo Committee's proposals, all the 15 lakh workers now dependent on the industry in the handloom sector continuing to be employed. Similarly, the status quo would continue in the powerloom sector also, as it is not proposed to reduce the share of the powerlooms below its present manufacturing capacity of 200 million yds. If, therefore, the handloom sector is to account for 2,000 million yds. and the powerloom sector for 200 million yds. the mills' quota would have to be raised to 7,800 million yds. The implications of this increased production are fully worked out and indicated in the memorandum as reflected in the target figures referred to at the outset. A notable feature of the expansion plans in the mill sector is the attention given by the two Associations to the need to balance the uneconomic units, on the one hand, and to the advisability of dispersing all additional capacity over the country, having due regard, of course, to factors like proximity to cotton-producing areas and the existence of handloom and powerloom sectors nearby, on the other.

Eminently practical though the proposals of the Millowners' Associations are, I foresee at least two criticisms to the proposals. The first is that the powerloom interests (I am assuming that the handloom sector will be content with the modest increase that has been assigned to it under these proposals) would vigorously protest against the status quo proposed in respect of powerlooms and they will surely buttress their agruments with the need not only to maintain the powerloom sector but also to extend it so as to provide a readily available source of load to the existing hydroelectric and thermal power projects in the country. Secondly, the Associations have not indicated how they proposed to find the total outlay of Rs. 233 crores required for rehabilitation and expansion. There is no doubt a reference to the average investment of the industry during the last 15 years at Rs. 15 crores per annum. But this is proposed to be stepped up to Rs. 20 crores per annum, and it is not shown whether the industry itself will find the extra funds or expects them by way of assistance from the Government. Over and above these, there is the total expenditure on additional machinery required for expansion of Rs. 133 crores. How, again, is this going to be raised? The question becomes relevant because, even under the programme of expenditure for the private sector worked out by the Union Ministry for Commerce and Industry, only Rs. 100 crores have been set apart for expenditure, including rehabilitation, by the textile industry.

CREDIT INSURANCE FOR EXPORT PROMOTION

By

CROESUS

NOT long ago, the Government of India drew up a twelve-point programme for promotion of exports. One of the first steps in export promotion adopted by the Union Government has been the establishment of Export Promotion Councils. Two councils, one for cotton textiles and one for silk and art silk fabrics, have already started functioning. A few more such councils are proposed to be set up—for cashewnuts and pepper, tobacco, shellac, mica, sports goods, plastics and engineering goods. These councils are to undertake market research in foreign countries, appoint representatives, conduct publicity, disseminate market information, lay down standards of quality and packing and attend to complaints from foreign importers. In the case of cotton textiles, a certification trade mark scheme is also in operation, while in respect of hemp, tobacco and raw wool only exports covered by Agmark rules are allowed. The export promotion work of commodities like tea, jute, handloom cloth and handicrafts is being handled by special boards. The Tea Board has set up its own promotion councils in the U.S.A. and other countries with the help of trade interests in those countries.

The latest and, perhaps, the most important move on the part of the Government is the decision to start an export credit guarantee scheme on the lines of similar schemes in operation in the U.K., Canada, and Japan. Broadly, the scheme is in the nature of an insurance against risks that exporters have to face. It has been reported that the Government is likely to appoint a special officer to work out details of the scheme to be brought into operation by legislation. Recently a draft scheme, prepared some time ago, was circulated among commercial interests, but opinions thereon were divided. The larger interests in established lines like jute, tea and cotton piecegoods for example, seem to feel that, in any such scheme, they would only be subsidising their weaker counterparts. In view of this, it is now felt the Government may prepare a scheme limited only to a selected section of trade, in the first instance. A central insurance organisation may be set up for this purpose and a special law also enacted, so that the newly-formed organisation would be outside the purview of the Insurance Act, as it must needs be.

It will be of interest to study the working of the Export Credit Guarantee Scheme in other countries, such as the U.K., for instance. The Export Credit Guarantee Department (E.C.G.D.) of the United Kingdom is a separate Department of the Government, under the President of the Board of Trade, providing credit insurance for the U.K. exporters. In the beginning, that is between the world wars, E.C.G.D. was concerned only with insuring the risk of the solvency of the buyer. Later on, in the early thirties, it began to insure the sterling transfer risk for specific markets. But, since the last war, its standard policies have begun to provide, in a single document, comprehensive cover

against transfer, insolvency, default or any other risks of export trading. The chief export trading risks, generally, are the insolvency of a buyer or his default, and delay in payment due to exchange restrictions and difficulties in the importing country. The Department's Policies also cover risks due to causes outside the control of exporters and buyers, such as war or civil disturbance. Policies are issued to cover export business from the time a contract is made, or from the time of shipment, up to the time that payment is received. Sales of foreign goods through British merchants can also be covered, and even merchants having materials processed abroad for eventual export can insure against major risks. Further, E.C.G.D. policies provide cover against loss from the following causes: (i) imposition of new import licensing restrictions in the buyer's country or cancellation of a valid import licence; (ii) cancellation or non-renewal of a U.K. export licence, or imposition of new export licensing restrictions; (iii) additional handling, transport, or insurance charges due to interruption or diversion of voyage which cannot be recovered from the buyer; and (iv) any other cause of loss occurring outside the U.K., including presumably devaluation, and not normally insurable with commercial insurers. The extent of the cover normally is 85 per cent of loss through insolvency or buyer's failure to pay within 12 months of due date and 90 per cent of loss through any other cause. The short-term policies under which the exporter insures the whole of his trade are not generally applicable to transactions involving capital goods, such as plant, equipment or heavy machinery, and large-scale capital projects. In the latter case, special policies are written for each transaction. Many types of invisible exports also can be insured against the insolvency of the purchaser and against exchange difficulties. This cover applies to such invisibles as consultants' and other professional fees, royalties or film earnings.

In addition to all these, there exists a special range of policies designed to help exporters in tackling markets in North America and the Dollar Account Area by the use of market surveys, advertising and sales campaigns. One type of policy helps them to hold stocks locally and to give rapid service. In the particular circumstances of the Dollar Account markets, the exporter may face risk of loss in his efforts to break into the market. The exporter can insure against a percentage of the loss which may result if market surveys, advertising or sales promotion campaigns or stock-holding do not produce sufficient revenue to defray their cost over an agreed period. Under the Joint Venture Policy, the Department will share with the exporter in a comprehensive trading project over a period of time. If the project fails, the Department will share the losses equally with the exporter; if it succeeds, the exporter enjoys the whole profits of the venture. Some specialised goods are not suitable for the market survey technique, but must be demonstrated and tested on the spot. Consumer goods may need to be tested by distributing samples to prospective customers. The Market Survey Policy can be adapted to cover these "products tests" also and guarantee the exporter against 50 per cent of the cost of making, shipping, demonstrating and distributing the goods. The trade centre to be set up in New York by the All India Handicrafts Board, it is reported, will explore local markets on these lines—by test consignments of specific categories of Indian goods.

The Government of India's scheme for export credit insurance is similar to that in operation in the U.K. and France, but it incorporates one novel feature, namely payment of compensation to foreign importers for default on the part of Indian exporters. The proposed insurance organisation would utilise the services of the various Export Promotion Councils, who would be acting as its agents to carry out its functions for insurance and in the matter of daily contacts with exporters. The insurance body will issue guarantees to the extent of 80 per cent of the goods shipped or contracted for.

Under the scheme, the exporter gets more than insurance alone in return for his premium—he gets the benefit of a large and comprehensive organisation for export credit management. Reports from all over the world are constantly studied to interpret the first significant signs of an impending trouble in an apparently sound market, or of a better turn in a difficult market. It is because the expense of this service is shared among many exporters that it can be provided on a large scale without overburdening the premium rates. Export credit insurance operates to sustain the exporter in transactions with unproved buyers or in difficult markets in which he would not remain without insurance. It offers him assured contact with the widest circle of buyers whose creditworthiness has been thoroughly checked. Though the scheme doe snot itself provide finance for the exporter, the insurance it provides makes it easier for him to obtain, through the banking system, such finance as he may require. It thus allows more business to be done against existing capital but, at the same time, without overtrading. For each Rs. 100 of sales, the risk borne by the exporter is reduced to only Rs. 20. Provision is made for any policyholder to effect a simple transfer to his bank of his rights under the insurance. Where such an assignment is made, the exporter is often able to arrange for the discounting of his bills at a better rate. Contracts and shipments policies reduce the risk of non-payment to a very low figure and policyholders may find that their bankers will be willing to accommodate them with advance or discounting facilities. In some cases, it may be possible for the central insurance organisation to help by giving a guarantee to the exporter's bankers.

Planning is the fashion of the day—even in business management. By planning the export trade, which will be facilitated by such schemes as export credit guarantee, future earnings can be accurately assessed and further programmes based thereon, since such earnings are hedged by insurance against all the conceivable major hazards.

POLITICAL PRESSURES ON COMPANIES

By

CROESUS

Anything carried to excess is bound to provoke reactions, sometimes even extreme reactions. The powers intended to be conferred upon the Central Government under the Companies Bill now before Parliament in the matter of control and supervision of companies and in regard to obtaining prior sanctions concerning various essential matters pertaining to the conduct of their affairs are so wide-sweeping in scope and so drastic in content that a shareholder has sent on to us, for publication, a letter in which he says that "certain equally fundamental and drastic safeguards seem plainly necessary to prevent their abuse in furtherance of either the political ends of the parties in power or the private ends of the members of such parties or public servants". He is convinced that, since such safeguards are so demonstrably in the public interest, there should be no opposition from any quarter. Nor do these contravene—this he has taken the trouble

to make sure—any fundamental rights or other provisions of our Constitution. And if, perchance, it is held to be so by the Supreme Court at some later date, he is even for having the Constitution suitably amended for the purpose.

The following are the safeguards the shareholder in question demands:

(i) Contributions, donations or gifts (by whatever name called by companies to Central, State or local political funds, party funds, election funds, and to 'purses' for political leaders (except to perpetuate their memories after they have passed on to the next world) should be totally prohibited.

(ii) The seeking or offering, recommending or soliciting, of jobs in a company, or in, with or under any managing agent, director, secretaries and treasurers, etc. of a company by, to, for, or on behalf of any person in whom a public servant or any member of the Central or State Legislature or Local Authority is directly or indirectly interested, or deemed to be interested by reason of any relationship, however remote, by blood or marriage, should be prohibited.

(ii) The foregoing two prohibitions must be enforced by appropriate penal action against not only those officers of the company who allow these but also the direct recipients or indirect beneficiaries and the solicitors of the contributions and also those who seek, offer, recommend, or solicit jobs.

The righteous indignation of the shareholder is so great that he favours, even the punishment of officers of a company who make such prohibited contributions or employ such prohibited persons, irrespective of whether or not there was, in fact, any seeking, recommending or soliciting.

To some, especially those who believe in the theory of taking the line of least resistance, these suggestions might appear rather drastic, but many joint-stock companies which can ill afford to pay the contributions demanded by persons in power or influence and yet find themselves with no other alternative, if they have to save themselves from the wrath of the powers-that-be, would welcome the proposed prohibitions. So also the thousands of deserving applicants for jobs—recently there were 40,000 applicants for less than 1000 posts in an oil refinery company, it is reported—who find themselves unfairly pitted against sons or relatives of ministers or secretaries of Government and so become frustrated. If prohibitions on the lines indicated by the shareholder are on the statute book, the officer concerned too would be saved of much awkward embarrassment at times. After all, they also become victims to the frailties of human nature; if appeasement or propitiation of some one or other in power or authority could facilitate or smoothen their work, which is otherwise difficult, they might be tempted, even if only in their weak moments, to brush aside considerations of pure merit. Did not a well-known British paper comment, when the son-in-law of a distinguished ex-Prime Minister of England was appointed as a Minister, that "there was never such a thing as making an appointment on pure merit"?

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BUSINESS NOTES

RAISING COCONUT OUTPUT

THE DELIBERATIONS of the Indian Central Coconut Committee at its twenty-second meeting, held recently at Ernakulam, are significant, especially because the industry today is plagued by various difficulties.

India produces 330 crores of coconuts annually, valued at about Rs. 50 crores, but this is only three-quarters of the country's requirements. Hence the Committee had self-sufficiency as its first objective in framing the Rs. 63.75 lakh draft scheme for inclusion in the second Five-Year Plan. This scheme envisages measures for increasing production like controlling pests and diseases and raising the cultivated area by developing coconut cultivation in the Andamans, Saurashtra, Kutch, Hyderabad and Coorg. Ambitious though the scheme thus appears, it goes without saying that not much progress can be achieved unless there is also evolved simultaneously a proper price policy to ensure a fair price to the producer and its essential prerequisite, adequate facilities for marketing. True, cultivation is now largely carried on in primitive fashion and needs to be put on a scientific basis. But the small growers will continue to be at the mercy of wholesale dealers unless they are enabled to organise themselves into co-operative societies, which can be useful not only in the field of marketing, but also in dealing with other problems like plant protection, etc. It is heartening that the Government of India is taking steps for strengthening and financing co-operative organisations under a National Co-operative Development and Warehousing Board, which is shortly to be set up by special legislation.

For some months now, there has been a fall in the prices of copra and coconut oil. Though this is not an isolated phenomenon in that agricultural prices generally have been declining, this may cause great hardship since coconut growers are largely concentrated in a particular area. It is in this context that one has to assess the appropriateness of the Government of India's coconut import policy in general and the effect of imports on Indian prices in particular. The Coconut Growers' Association, in a memorandum submitted to the Union Commerce and Industry Minister recently, it will be remembered, complained that the import of copra was greatly in excess of demand in 1953-54 and that the reduction of duty to Rs. 50 per ton was injurious to local interests. Latest statistics show that imports of copra and coconut oil were 64,186 tons and 22,750 tons in 1954-55, against 29,698 tons and 25,943 tons and 19,377 tons and 20,154 tons, respectively, in 1953-54 and 1952-53. Notwithstanding the substantial increase in imports, it cannot be established that the fall in coconut prices in this country was entirely due to higher imports; the price of copra is also influenced by other oilseeds in the market. All the same, the Coconut Committee has decided to recommend to the Government that imports should be reduced to 50,000 tons per annum in terms of copra. The Government will doubtless be influenced in regard to any decision it may take by the probable effect of such restriction on prices to Indian consumers. It is perhaps worth remembering here that, despite the steep fall from the boom levels, prices of coconut products are even now some seven to eight times higher than those prevailing in 1939. In other words, the rise in coconut prices has been more than the fall in the value of the rupee over the same period.

IMPASSE IN THE BULLION MARKET

THE SUSPENSION of forward trading in Bullion for well over a month now has been causing serious concern to bullion traders in Bombay. The absence of futures trading has meant a vacuum in the market, but the resulting hectic rise in prices in the spot market towards the last week of August, which provokes inconveniently prominent attention, has bestirred operators to explore possibilities whereby a resumption of forward trading could be effected at an early date.

The stalemate in bullion was occasioned by the alleged cornering of the entire floating stocks of silver in the country by a single operator. This operator, the bears are never tired of pointing it out, had been indulging, during the past six months, in squeezing the market in fits and starts. But, insofar as they allowed themselves to be squeezed thus, the bears cannot altogether absolve themselves of blame. Anyway, matters came to a head when, on July 11, this same bull operator was credited with having brought about 1000 bars and of having brought about, in the process, a sharp rise in the price of silver (Shravan settlement) from Rs. 158-11 to Rs. 162-6. If true, this was clearly a case of a single operator deciding the fate of the market. At any rate, the Bombay Bullion Association interpreted it accordingly and decided to declare an emergency in bullion. Between the decision and its implementation, however, there emerged a snag, in that the Association, which had suffered a decline in its membership from 575 to 425, did not have sufficient voting strength from among its reduced membership to declare an emergency, unless the relevant by-law was amended suitably. At a meeting of the Board of Directors of the Association, therefore, it was decided to request the Bombay Government to authorise the Board to keep the market closed till it received the Government's approval to amend the by-law in question. The Bombay Government promptly gave its accord to the proposal.

Trading was thereafter resumed—on July 22—that is, after a period of inactivity extending over a week, and the Board fixed the ceiling and the floor prices of forward silver and gold in Shravan settlement under the amended emergency by-law, but activity on the Exchange was next to nothing, as the leading bull operator, it is alleged, preferred to sit tight on his purchases and refused to liquidate his holdings. Apparently, even the Board's warning that penal action would be taken against members who failed to square up their outstanding positions went unheeded and the result was a stalemate in silver. This necessitated arbitration proceedings and a sort of settlement eventually. The arbitrators appointed by the Bullion Board gave their award on the rates at which the buyers and sellers had to square up their business and this was accepted by both the sections.

In the light of all this experience, the Board took it upon itself to consider fresh amendments to by-laws to govern trading in the new contract. This was done at an extraordinary general meeting of the Bullion Association held on August 4 and the by-laws as proposed to be amended were forwarded to the Government of Bombay for its approval on August 17. The broad features of these recommendations are:

The maximum rate in an auction should be determined on the basis of the prices prevailing in the normal market which, in turn, should be arrived at by taking into account the average of adjustment rate for surplus and shortage in weight in respect of gold or silver, as the case may be, from ten days preceding the day on which the "Chithi" rate is fixed. The auction will be continued until goods are available, or for three days, whichever is earlier. The auction will be allowed of such quantity of ready goods as is actually offered by sellers at the end of a contract. But all transactions in excess of this quantity for which buyers have failed to pay deposit and for which sellers have not been able to offer spot goods would be settled at the "Chithi' rate to be determined on the average of three days' spot as well as forward rates. The penalty will be Rs. 14 per bar in silver and Rs. 25 per 100 tolas in gold.

It would appear that the Government's approval to the above scheme may be delayed for perhaps another month. For it is probable that the authorities might insist upon the Board publishing the revised terms of the contract with a view to eliciting public opinion. Meanwhile, a move has been afloat suggesting the resumption of forward trading with some minor changes in the old contract. The Board, which has been apprised of this, is believed to be studying the proposal and a decision thereon is keenly awaited. Pending this decision, forward trading in bullion continues to remain suspended.

Crises such as these are not unfamiliar to operators in futures market. In fact, these have manifested themselves so often and with such persistence as to be almost regarded as a regular, if not normal feature. In view of the fact that a crisis in one commodity market always tends to precipitate crises in others, the concerned quarters should bestir themselves and take prompt and effective steps such as would prevent a repetition of similar impasses in future. It is rather intriguing that the Forward Markets Commission has not moved even its little finger so far, at any rate overtly.

TEA FOR AUSTRALIA

THE REPORTED decision to send a three-man Indian tea mission to Australia and New Zealand early in September under the leadership of Mr. U. K. Ghoshal, Chairman of the Tea Board, comes none too soon. It is just two months since tea was decontrolled in Australia and, following decontrol, the demand for tea has been mounting up there without a corresponding increase of stocks. With the return of trade to private channels, there is a very scramble for supplies.

Tea marketing in Australia was hitherto handled by a Government body called the Tea Importation Board and the retail price of tea was kept low by a Government subsidy amounting to as much as £5,500,000 during the year to June, 1955 compared to £4,200,000 in the previous year corresponding.

Australia is one of India's most promising markets for tea. Her per capita consumption is 6.6 pound which ranks among the highest in the world. While her annual import of tea is about 60 million pounds, India's share therein is very poor. It was hardly 6 million pounds in 1954, when Australia imported 51½ million pounds from Ceylon and 3.3 million pounds from Indonesia. Moreover, this meant a heavy decline from 1949, when tea shipments from India to Australia amounted to as much as 18 million pounds. Before the war, Indonesia was Australia's chief supplier of tea. It is thus apparent that Ceylon has already managed to secure a strong foothold in the Australian tea market, while Indonesia is making a bold bid to regain her lost position. And both these countries have certain definite geographical advantages over India. Their proximity to Australia makes for a sizable saving in freight charges. This apart, Ceylon's established connections with the Australian tea trade and the Australians' reported strong preference for Ceylon tea are likely to pose a serious problem to those in charge of India's tea export promotional programme. Ceylon has yet another advantage, in that the International Tea Market Expansion Board's Australian Bureau has been functioning in that country on behalf of Ceylon after India's withdrawal from that body. Having seized the initiative, Ceylon is verily becoming aggressive in its tea export drive. The latest news that confirms this is Ceylon's attitude to the new I.T.A. That country's insistence on the right to export vis-a-vis India at the ratio of 5 : 4 has led to a stalemate in the negotiations for the conclusion of a new International Tea Agreement. The old Agreement, it may be noted, lapsed in March last. Whatever be the raison d' etre of Ceylon's demand for higher export rights, it amounts to a claim for special privileges at the expense of other tea-producing countries. Here is a real threat that India must be prepared to face.

MORE LIGHT ON U.S. GIFT COTTON

THE REVIVAL of rumours in the cotton market in Bombay of U.S. aid cotton all on a sudden may perhaps be indicative of some immediate action by the Government in this behalf. Following the niggardly progress in the offtake of this cotton, there were suggestions in the market, early in July, that the licensing procedure for import of sterling area cotton would be linked to U.S. aid cotton with an obligation on importers of sterling area cotton to import a given quantity of the American cotton. The lack of pace in the offtake of U.S. aid cotton is due to the relatively higher prices that importers have to pay for this cotton as against the price of comparable varieties of sterling area cotton. Rapid absorption of the U.S. gift cotton is not feasible, therefore, unless the authorities can offer this cotton at competitive prices, or are prepared to allow importers to have the difference between the ruling prices of comparative styles of foreign cotton (East Africans) and the prices of U.S. aid cotton.

It is reliably understood that this subject of U.S. gift cotton disposal plan has been fully discussed and a decision thereon is due for announcement very soon. It is thought that the import of this cotton and the responsibility of storing, warehousing and insurance until the cotton is actually disposed of will rest with the Government. As the import of the gift cotton is to be linked to that of sterling area cotton, particularly East African cotton, it is expected that the Government would, in all probability, also sell the American gift cotton at a price comparable to those of similar varieties of non-dollar cotton, that is to subsidise importers to the extent of the difference.

NATURAL OR SYNTHETIC RUBBER?

RUBBER MANUFACTURING interests in India are agitated over the recent trend in raw rubber prices. Even in India, where there is a controlled price since mid-March last, there has been an increase from Rs. 138 per 100 lbs .to Rs. 150 per 100 lbs. Whether this Rs. 150 includes the recent levy in excise duty of Rs. 6-4 per 100 lbs. (or one anna per lb.) or whether it is exclusive of that is still not clear. But even if Indian raw rubber prices were raised by an anna as a result of this impost (that is, 1 anna 9 ps. per lb.), it would still be decidedly cheaper than raw rubber prices in other producing countries like Malaya. The gap between Indian prices and the steadily rising prices in other countries has been widening, making it difficult for consumers of rubber in India to go in for imported natural rubber. There is a gap of about 5,300 tons between the indigenous natural rubber production and the demand for raw rubber of the indigenous rubber manufacturing industry. A suggestion would, therefore, appear to have been made to the Government requesting it to permit imports of synthetic rubber, which, it is rather curious to note, is now available at prices lower than those for natural rubber. It is, however, believed that the authorities are not prepared to accede to the demand of the industry, on the ground that, if synthetic rubber is allowed to be imported and used by Indian rubber manufacturing interests, it may ultimately affect the plantation rubber interests. Obviously, the rubber manufacturing interests are not quite satisfied with this plea for not allowing imports of synthetic rubber. According to them, it is necessary to make up the gap between internal production and internal demand by permitting

imports of either natural rubber as at present, or imports of synthetic rubber which are not being allowed now.

Against this background, it is not known what fate awaits the proposals of the industry for expansion under the second Five-Year Plan. A few days ago, the interests concerned discussed this subject with the Planning Commission and, among the proposals put forward, it is understood, one was for the starting of a synthetic rubber plant and other for starting a plant to reclaim used-up rubber. According to the spokesmen of the industry, there would appear to be scope for both these propositions. The proposal, to begin with, at any rate, is understood to be to manufacture 5000 tons of synthetic rubber and recover 2000 tons from old rubber goods. The belief—referred to in these columns earlier—is not shared by the spokesmen that a 5000-ton plant would be an uneconomic proposition, although the initial capital outlay is put as high as about Rs. 5 crores. Offers for such a plant are believed to have already been invited from West Germany and America among other countries. An interesting disclosure is that synthetic rubber is not proposed to be manufactured out of waste products from the oil refinery—although that is not ruled out—as reported earlier, but from large quantities of molasses, especially in the Deccan, which are now going to waste. The idea, it is understood, is to convert the molasses into alcohol, which is to be converted, in turn, to synthetic rubber. Under this process, it is stated, even a 5000-ton capacity plant would not be uneconomical.

As regards reclaiming rubber, the question does not seem to be one of getting old rubber goods, thanks to the number of motor vehicles in the country which periodically discard used-up tyres. Moreover, the sponsors of the scheme appear to have already got assurances from State Transport organisations in more than one State to supply all the rubber tyres required for the rubber reclamation plant.

RUBY GENERAL'S CONFIDENT MARCH

MR. B. M. BIRLA'S objective assessment of the prospect for the insurance business in the immediate future is rightly couched in words of caution. But the counsel of caution which he gives in no sense detracts from the confidence with which he views the onward march of the Ruby General Insurance Company. The year 1954, saw severe strains of competitive pressures in the business, but in spite of their impact Ruby General recorded distinct improvement in every department of business—general as well as life. The slight set-back which the fire business of the company received in 1953 was not only rertieved but business in 1954 exceeded the level achieved in 1952 by Rs. 11.82 lakhs. In marine and misellaneous businesses, progressive trends were pushed ahead by good margins of Rs. 2.30 lakhs and Rs. 1.29 lakhs respectively. In the life sector, new business improved from Rs. 2.64 crores to Rs. 3.42 crores. The life fund has shown an increase of Rs. 43.18 lakhs over the previous year, while the increase in the premium income on the same basis was of the order of Rs. 5.06 lakhs.

The Chairman's speech at last Tuesday's meeting underlines the prospective hardening of competitive conditions. He seriously questions the wisdom of the reduction in fire rates introduced just recently and if he utters a warning that actual results which will follow from this policy will not fail to falsify the expectations of higher net income cherished by its advocates, it is a realistic estimate and not a gloomy forecast. The cut-throat competition in marine business is the result of unhealthy policies pursued by foreign insurers and the Chairman hopes that this month's World Marine Conference will take appropriate action. Automobile insurance has entailed a higher loss ratio in sympathy with trends in other leading foreign countries, but here the Chairman puts a poser whether the stage has not arrived to review the liberal policy regarding claims settlement. He characterises the threat of nationalisation as a bogey, but reminds High Authority that even a bogey, indulged in persistently, has the potentiality to demoralise industry.

TWO BURDENS OF PLANTATION INDUSTRY

AT THE last annual general meeting of the United Planters' Association of Southern India, the Chairman, Mr. J. L. H. Williams, found himself constrained to express strong views on two major issues which are adding uncalled for burdens to the financial and management problems of the plantation industry. In retrospect, the Chairman finds that the new tax burden imposed by the Madras Agricultural Income-tax transpires to be much severer than originally estimated. There was no question whatsover of a major industry like the plantation industry grudging its share of contribution to the State exchequer, but the quantum of that share cannot, in prudent assessment which must take note of the financial structure of the industry, cross the limit of capacity to bear. Total taxation demanded by the Centre and the State ought to be kept within this limit on a basis of rational understanding. Mr. William's criticism of the local taxes levied by the Panchayat Boards cannot surely be dismissed as carping criticism. The plain fact is that while the cost of all local services including water supplies, conservancy operations, medical arrangements and schools, are generally met by the plantations themselves, Panchayat Boards exercise the right to tax without the obligation to spend on services. Local taxation has little justification if it has nothing to show by way of benefits and amenities to the rate-prayers' areas.

The plantation industry in Madras State is undergoing, for the past three years, the pangs of protected proceedings before the Special Plantation Tribunal and while interim petitions are inflating the volume of the Tribunal's work out of all reasonable proportion, the settlement of the main issues seems nowhere within sight. The newly appointed Tribunal in Travancore-Cochin is faced with a more complex and voluminous task than the Madras Tribunal. The only results which have ensued so far from the Tribunal machinery are the growth of an attitude of enmity and a most objectionable type of labour indiscipline which is producing serious repercussions on productivity. The situation seems helpless at the present time and Mr. Williams' appeal for mutual understanding and resort to the arbitration machinery is unlikely to evoke the needed response.

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COMPANY AFFAIRS

T.I.S.C.O.—THE SHAREHOLDERS ANGLE

THE annual meeting of the Tata Iron and Steel Company Ltd. on August 25, proved once again that shareholders are coming into their own and have begun vigorously to put forward their claims for a reasonable return on equity investment. Nearly every one of the shareholders that spoke at the meeting referred to the inadequacy of the dividend paid and some went even so far as to characterise the dividend policy of the company for the past few years as a raw deal to the shareholders in striking contrast to the benefits derived by the employees of the Company, the government and the consumers. This is no exaggeration here, for, as Mr. Dhirajlal Maganlal and Mr. H. T. Parikh of the Bombay Shareholders' Association pointed out, it is only the shareholders of the Company that do not appear to have derived any benefit from the expansion of the Company's operations during almost a decade, despite the large investment in plant and machinery that has come out of their own funds. In support of this contention, Mr. Dhirajlal quoted statistics culled out from the company's reports themselves indicating that, whereas the government obtained large sums in taxation, the employees got handsome increases in wages and the consumer paid lower price for his Indian steel than for the imported steel, the shareholders had, in fact, suffered a substantial reduction in the amount of dividends paid. In view of this, he demanded a definite assurance from the management that, at least in future, the Company should liberalise its dividend policy so as to ensure a fair deal to the shareholders. He also made in this connection the point that an effective capital market could be sustained only if a reasonable return was assured on investments in equities.

With a large expansion programme ahead of the Company, it is only natural for the shareholders to put forward, or rather reiterate, their point of view so that such might not go by default. Moreover, it would appear that, since the shareholders' claim comes only last in the priority list—that is after the claims of the government and the employees, not to speak of those of the consumers—it is necessary for them to become vocal at least at times. That the Tisco shareholders' grievances are genuine was borne out by the replies which the Chairman of the Company, Mr. J. R. D. Tata, himself gave to questions put by the shareholders. He admitted that the shareholders have not had a fair deal in the past. And he explained why this was so. According to him, the shareholders could not have as good a dividend as they deserved because the industry was closely controlled and steel prices were fixed on a grossly unfair basis by the Government, a point which, it may be remembered, he has reiterated several times at past meetings. The Tisco chief hastened to add, however, that the Government's latest policy in regard to steel prices as well as expansion had turned out to be more helpful. Incidentally, Mr. Tata disclosed that the Company had at one time hoped to raise the dividend to Rs. 11 for the year 1954-55 but did not do accordingly after due deliberations. Two reasons were given by him for these second thoughts on the issue of a higher dividend on the part of the directors: first, although the distributable profits were higher, the gross profit was actually lower; the distributable profit happened to be higher, because the provision for taxation was lower. Secondly, it was felt that, for the sake of a small increase in the rate of dividend, it was not advisable to create a wrong impression in the minds of the authorities which would certainly have happened if the dividend had been increased even if only by eight annas so soon after an increase in the retention prices of steel granted by the government.

About future dividend prospects, notwithstanding the categorical statement in the Chairman's speech itself that there was no reason why, pending the implementation of the expansion projects, the yield on capital at the present market values could not be maintained, some shareholders pressed for further clarification. Mr. Tata could only repeat what he has said, for obvious reasons. As he pertinently pointed out, no one could give a categorical reply on this point without knowing what price the Government might fix for the steel and how long the control on steel would last. But he gave reassuring replies to the shareholders on a number of points bearing on the future prospectus of the Company in the context of its own expansion and the coming into being of the three Government steel units. He said, for instance, that the Company would be able to compete successfully with the State units and that, even after all the State units went into production, there was no possibility of the production of steel in the country exceeding the total demand for it. He was confident that the growth of demand for steel in the years to come would be more than commensurate with that in steel output. As regards costs of production, it was Mr. Tata's considered view that, with the Company's 48 years experience in steel making, it ought to be possible for the Company to produce steel at a lower cost than the new State steel units. The estimated increase in the Company's steel capacity, he added, would result in spreading overheads and thereby reducing costs. And what was perhaps even more important, he said, the proposed expansion would solve the Company's most intractable problem for some years, namely that of its excessive labour force.

Now a few words for the expansion programme of the Company. It may be noted that the Company has already a current expansion programme which is expected to raise its capacity to 1.3 million ingot tons. With the new expansion project involving an additional capacity of 700,000 tons estimated to cost Rs. 60 crores, the total capacity would be raised to 2 million tons of ingot steel. Mr. Tata informed the shareholders how it was proposed to finance the new project. In this connection, he drew attention to the Government's resolution referring to the question of a revision in prices to the Tariff Commission and pointed out how it provided for the price to be such as to enable both the major producers to obtain a portion of their capital requirements for their current and additional expansion from internal resources and also as would enable them to raise the balance from outside sources. On this basis, he calculated that the Company would be enabled to accumulate, over four or five years, Rs. 20 crores on the new expansion projects, leaving a sum of approximately Rs. 10 crores still to be found (after, of course, taking into account the loan of Rs. 30 crores expected to be received from the World Bank or the Export Import Bank). The directors, he added, had decided to raise this sum of Rs. 10 crores by a fresh issue of equity capital. Anticipating the shareholders' possible criticism about the propriety of raising further equity capital, Mr. Tata volunteered a few observations himself in advance to prove that there was an overwhelming case for an increase in the share capital. Taking into account the existing and the new expansion programmes, he pointed out, the gross block of the Company would probably rise to Rs. 140 crores and its borrowing to about Rs. 50 crores. As against this, he went on to say, an amount of Rs. 3.74 crores which was all the total capital provided in cash by the shareholders including the premium on deferred shares, (or, for that matter, even the total of Rs. 27 crores, including preference and ordinary capital, plus the new issue), would be disproportionately low. He, therefore, felt that the best solution of the problem probably lay in

the capitalisation, from time to time, of reserves as they were built up and in the issue of bonus shares to a corresponding extent. With the recent decision of the Government to sanction bonus shares and the latest Appellate Tribunal's decision denying to the workers any right on the shareholders' reserves, this may well be the pattern of capital reorganisation in the future not only of this company but of several others as well.

It only remains now to sum up what Tata said about the merits of the new expansion project. This would bring significant benefits to all concerned, since it would increase the Company's steel capacity by 60 per cent, the result of which would be to spread the overheads and thereby reduce costs; it would further enable the Company not only to make an important contribution to the country's economic expansion but also to solve the problem of excessive labour, as already stated,—a problem, the existence of which has been admitted even by such distinguished trade unionists as Mr. V. V. Giri, the erstwhile Union Minister for Labour.

THE GANGES MANUFACTURING COMPANY, LTD.,

The Report and the Audited Accounts of the Company for the half-year ended March 31, 1955, show following results:

Profit on Revenue Account			Rs. 7,97,033
Adding thereto:			
Share Transfer and Sub-Division Fees	Rs.	588	
Provision for Doubtful Debts no longer required	,,	575	
Profit on Sale of Capital Assets	,,	1,24,784	,, 1,25,947
			Rs. 9,22,980
And Deducting:			
Retiral Gratuities to Workers	Rs.	26,746	
Balance of Calcutta Office and Establishment Expenses relative to previous periods reimbursed to Managing Agents	,,	42,450	
Provision for Doubtful Debts	,,	1,887	
Depreciation	,,	2,00,000	,, 2,71,083
The Balance			Rs. 6,51,897
Adding the amount brought forward			,, 5,930
			Rs. 6,57,827
And Transferring to Reserve for Machinery Renewals and Replacements			,, 3,00,000
There is available for disposal			Rs. 3,57,827
The Directors propose that this sum be dealt with as follows:			
By payment of a Dividend on Preference Shares of Rs. 4 per share or 8 per cent per annum	Rs.	24,000	
By payment of a Dividend on Ordinary Shares of Rs. 2-8 per share of 5 per cent per annum	,,	2,10,803	,, 2,34,803
Leaving to be carried forward			Rs. 1,23,024

In accordance with the I.J.M.A. Main and Supplementary Working Time Agreement then in existence the Mills worked 45 hours per week up to the 17th October, 1954 and 48 hours thereafter up to the 25th December, 1954. From 27th December, 1954, to 31st March, 1955 the Mills continued to work 48 hours under a new Working Time Agreement signed by members of the I.J.M.A. on 23rd December, 1954. This new agreement will remain in force for five years. 12½ per cent of the total complement of looms remained sealed during the entire six months in accordance with these agreements. For the first half of the period under review trading conditions were favourable. Latterly, however, raw jute costs rose disproportionately, making profitable working difficulties.

INDIAN STANDARD WAGON COMPANY

The Annual Report together with the Audited Accounts for the year ended March 31, 1955, of the above Company shows that:

After providing for taxation, depreciation and all other charges, transferring Rs. 1,00,000 to General Reserve and setting aside Rs. 12,00,000 on Plant Replacement Reserve, the profit on the year's trading amounted to		Rs. 6,33,193
To which is added the balance brought forward from the previous year		Rs. 28,820
Making a balance available of		Rs. 6,62,013
The Directors recommend that this balance be dealt with as follows.		
Payment of the dividend for the year on the 7 per cent Preference Share Capital	Rs. 1,37,655	
Payment of a dividend of 25 per cent for the year on the Ordinary Share Capital	Rs. 4,87,313	Rs. 6,24,968
To be carried forward		Rs. 37,045

The works of the Company were fully employed throughout the year and, with the co-operation of all the workers and staff, a substantial increase in output has again been recorded, which is reflected in the value of sales and, in turn, in the improved trading results.

Good progress is being made against the programme for the replacement and general rehabilitation and modernisation of the plant. The total cost of the full programme in this respect is now placed at approximately Rs. 30 lakhs, for the finance of which it is essential that funds be rapidly accumulated. While marking the improved working results for the year with the recommendation of a substantial increase in the rate of dividend on the Ordinary Share Capital, the Directors for the above reason have considered it essential to set aside from profits a sum of Rs. 12,00,000 to the Plant Replacement Reserve.

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Company Meeting

THE TATA IRON & STEEL CO., LTD.

Speech Delivered by the Chairman, Mr. J. R. D. Tata, at the Annual General Meeting of the Shareholders on Thursday, the 25th August 1955.

Ladies and Gentlemen,

Since I last had the pleasure of welcoming you at this annual gathering, much has happened of special interest to our Company and to industry generally. Important policy pronouncements have been made, significant legislation has been passed, plans have been formulated, a report on taxation has been published, all of immediate or potential significance to us.

2. As our annual report and accounts are so detailed, there is no need for me to elaborate on them at this meeting except in answering questions from shareholders. I propose, therefore, to devote my speech today to two main subjects, namely, the pattern of Government's economic policy which has emerged from their statements and actions during the year and the proposed expansion of our plant to two million tons per year.

THE ECONOMIC PATTERN

3. At the last two annual general meetings, I referred at some length to the subject of a Mixed Economy and the role of the private sector in it, and took some pains to set forth what I felt was a fair and sound case for better opportunities to Free Enterprise to enable it to fulfil its task under the series of Five-Year Plan.

4. We all appreciate that bold planning and determined execution of large schemes of development are essential if we are to raise living standards, relieve unemployment, give opportunities to all and ensure a reasonable degree of social justice. Everyone, I believe, is agreed that the principal means of achieving these objectives is to increase the total production of the country as rapidly as possible since, without an increase in total wealth, there will be nothing to distribute but poverty. We realise that the task is a formidable one by any standards and that it requires the united effort of all and dynamic action by the State. I have thus welcomed the policy of creating a Mixed Economy in which both State Enterprise and Free Enterprise will, side by side, play their important roles.

5. It would seem, therefore, that there was little room for disagreement on general economic policy and that the stage was set for fruitful co-operation between Government on the one hand and industry and business on the other. Indeed, several pronouncements by spokesmen of the Administration have appeared to confirm this fundamental identity of sentiment and approach. No less a person than the Prime Minister has, on more than one occasion, held out the assurance that Free Enterprise would have an important place and effective role in the country's development and deprecated the outmoded idea that Socialism means nationalisation. Speaking to the Congress Parliamentary Party in May this year, he said: "I think there is really no choice before us between having a private sector and allowing it and encouraging it to function, and not having it at all. It is foolish to have a private sector and then undermine it and prevent it from functioning. .....I personally think that even for the proper functioning of the public sector it is desirable to have a competitive private sector."

6. Equally reassuring was the statement made in July this year by Mr. T. T. Krishnamachari, the Minister for Commerce and Industry, at the last meeting of the Central Advisory Council of Industries, that there would be no nationalisation for the sake of nationalisation. The Minister went on to say that the State could and would enter the field normally reserved to the private sector only if the latter was unable to develop certain industries. At the same time, the State might invite the private sector to co-operate in industries in the public sector.

7. Still more recently, in the course of the current debate in Parliament on the Companies' Bill the Finance Minister made this encouraging observation on the role of the Industry:

> "Having decided that we shall have the private sector, and having come to the conclusion that we should exert to extract the best out of that sector, it is our duty to consider how a private investor could be encouraged to put his money into joint stock enterprise. That seems to me a very legitimate and very laudable object....."

8. While giving full weight to these encouraging pronouncements, it would be unrealistic of us not to take note of certain events of the past year such as the recent amendments to the Constitution, the proposed amendments to the Companies Act, the fiscal policy of the country, particularly in relation to the Report of the Taxation Enquiry Commission, some aspects of the proposals for the second Five-Year Plan, and the way in which the Avadi resolution on the socialistic pattern of society is sought to be interpreted and implemented. Let us take them in turn.

CONSTITUTIONAL AMENDMENT

9. There is little doubt that the Fourth Amendment to the Constitution, by denying to the citizen recourse to Courts of Law, has seriously undermined the right to property, which has been recognised through the ages as one of the fundamental human rights and which the United Nations has solemnly affirmed in a declaration to which the world including India is a party. While it is reassuring to note that the present Government have every intention, as stated by the Prime Minister, of paying a fair price for any

undertaking they may decide to take over, there is every reason to fear that such sweeping powers, once acquired, may, some day, become an instrument of oppression in the hands of future governments. In addition, the passing of this amendment is bound to shake the confidence of industrialists and investors and thus adversely affect the ability of the private sector to fill its allotted role.

COMPANIES AMENDMENT BILL

10. The Companies Amendment Bill is now under discussion in Parliament. Since it was first introduced it has undergone in the Joint Select Committee important changes, some of which go much beyond the original scope of the Bill and would, if adopted, place serious impediments in the way of the smooth and efficient management of joint stock companies. It is encouraging to note, however, that as against some extreme proposals made during the debate which would change the entire character of the Bill from a constructive improvement of Company Law to a measure striking at the very root of the whole system of free enterprise, some moderating voices have been heard on the floor of the House, the most notable amongst these being that of the Finance Minister whom I have just quoted. We may thus hope that Parliament will refrain from placing on the Statue Book provisions which would permanently cripple elements otherwise capable of assisting in the country's economic development.

TAXATION COMMISSION'S REPORT

11. This is not an occasion on which to analyse the Report of the Taxation Enquiry Commission under the distinguished leadership of Dr. John Matthai, but I may say that I am not amongst those who can see nothing good in the Commission's recommendations. There are, in fact, from the point of view of the private sector, some recommendations in the Report as, for instance, in connection with the development rebate which are clearly beneficial to Industry. On the other hand, certain recommendations would lead to unfavourable consequences, notably those in respect of Section 23A of the Income Tax Act which may lead to a serious depletion of resources hitherto available for development purposes. What I am more concerned about, however, is the effect which the high level of taxation proposed and the emphasis laid on the need to restrict incomes and consumption in the early years may have on production. In Chapter 8 of their Report the Commission have themselves repeatedly stressed the need to avoid adverse repercussions on private productive effort and enterprise. I fear, however, as do many others directly concerned with the working of the private sector, that the abnormally high levels of individual taxation recommended will in fact act as a serious disincentive to productive effort and enterprise. This, coupled with the diversion of an undue proportion of total savings to Government, will impair the private sector's ability to meet the targets allotted to it.

SECOND FIVE-YEAR PLAN

12. A preliminary outline of the framework of the second Five-Year Plan has recently been released by Government for purposes of public discussion. This is a healthy move on which the Government of India are to be congratulated.

13. While the necessity for bold planning is unquestioned, for the needs of the country are both great and urgent, some of the proposals are such as to raise doubts in one's mind. For instance, considering the resources likely to be actually available, can the proposed targets be attained without recourse to a much higher degree of deficit financing than at present contemplated, with the consequent risk of inflation which would deprive the mass of the people of the fruits of their toil? Will the large scale development of heavy industry at one end and cottage industries at the other, without an adequate development at the same time of secondary consumers' goods industries in between, not lead to a lop-sided pattern of development which may result in inflation, scarcity of consumer goods, and also in a substantial part of the capital investment in heavy industry remaining unproductive for some years for want of a market? Is it wise to attempt to reverse the normal historical process by which the establishment of capital goods' industries has followed and not preceded the development of consumer good's industries? Has the argument that the position can be rectified by the development of secondary industries at a later stage any validity considering that owing to the continuing increase in population amongst other factors, there is bound to be a large amount of unemployment at the end of the second Five Year-Plan, and the same arguments will inevitably be used then as now for restricting the development of manufacturing industries? Will the consumer in urban and industrial areas be willing to pay the necessarily higher prices of goods produced by household and cottage industries, even when the quality is satisfactory? Finally, is it realistic to assume that household industries can be developed fast enough to provide all the additional consumer goods necessary to meet the increased demand and, more particularly, that the widespread organisation and the necessary financial-cum-marketing facilities can be built up in so short a time? I would urge, while there is still time, that these important aspects of the problem be considered before the second Five-Year Plan takes final shape.

SOCIALISTIC PATTERN

14. Finally, we have the goal of a "socialistic pattern of society" set before the country. If it means a society in which all have equal rights and opportunities, the underprivileged are protected and helped to a better life, economic activities are harnessed to constructive nation-building purposes and controlled by the State for the common good, and selfish abuses and anti-social acts are checked, then we should all support it. But if the means adopted were to lead ultimately to a society in which incentives and initiatives are impaired, the greater part of the industrial apparatus is owned by the State, economic power and responsibility are largely centred in the hands of government, and the individual loses freedom of choice, whether as producer or consumer, then, I submit, this kind of society will be incapable of producing the required volume of goods and services essential for the prosperity and happiness of our people.

15. Surveying these various trends in the country, one finds running through them two major currents of thought. The first is the belief that the profit motive or the desire for material rewards for individual effort, which has characterised man's progress from the beginning of his life on earth, is anti-social and that it can be replaced without loss of productivity by a selfless desire on the part of everyone to work solely for the good of the community. The second is the undue emphasis on Socialism as the only path to prosperity.

THE NEED FOR INCENTIVES

16. Apart from the fact that there is in my view nothing morally wrong in the yearning of individuals to better their own and their families' living conditions and to seek material reward and financial security in return for hard and productive effort, a remarkable aspect of the disparagement of material incentives and rewards is that, while they are regarded as unobjectionable in the case of the peasant and the worker, they are sought to be withheld from the professional man, the administrator, the manager, the enterpreneur and the investor—the very men from whom we expect the initiative and leadership required for the success of the country's plans of economic development. In their case incentives and rewards are sought to be replaced, it seems, only by a missionary zeal to serve the community.

17. It is true that many of the men who today lead the nation have dedicated their lives to the country's advancement and are motivated by a noble ideal of service. But, with great respect, I submit it is unrealistic to believe that more than a minute percentage of the people of the country in any walk of life can be expected wholly to eschew personal interests. For the vast majority of the people the removal of material incentives and rewards will merely act as a disincentive, and lead to a reduction of effort and efficiency and to an increasing tendency to let the other fellow do the job. We should face the fact, whether we like it or not, that most men will be driven to hard work only by material reward or fear, or a combination of both.

18. In a country pledged to the use of non-violent and democratic means, it is clear that our governments cannot and will not, as in totalitarian states, use the weapons of force or fear to drive people. But, if we are to eschew both reward and fear, and if selfless devotion to the community can impel only a minority so small as to be incapable of making any material impact on the country's productivity, is it not obvious that the activity of the nation will be retarded and our great Five-Year Plans jeopardised? Faced as we are with the imperative need to work, to produce, to build, to save and to invest, is it wise to lay so much emphasis at this stage on levelling down incomes and seeking to achieve an equalitarian society before we have created a reasonable quantum of wealth to distribute equally?

19. While it is true that there is still an undue disparity in incomes in our country, it is I feel not adequately realised that considerable progress has been made in recent years towards reducing inequalities. On the one hand, the income of peasants and wage earners has substantially increased while, on the other, the steep rise in taxation has drastically reduced the earnings of higher income groups.

20. A particularly unfortunate consequence of going too far in the direction of reducing earnings is the discouragement caused to foreign capital which might otherwise play such an important part in helping the development of our economy.

21. To sum up my analysis of this important, and too often overlooked, factor in our economic plans, I would earnestly urge that while retaining the ultimate objective of widely distributed wealth and social justice, and curbing abuses, anti-social activities, ostentatious spending and an undue accumulation of wealth and power in individual hands, we should make full use of the natural instincts of human nature as it exists and not rely unrealistically on the hope that they can be changed in a short time by executive act or legislation.

CAPITALISM TRANSFORMED

22. As regards the apparently growing trend towards a comprehensive form of socialism, as distinct from the more empirical form favoured in, say, Britain or the Scandinavian countries, there are some who hold the view that capitalism is wholly out of date. Considering the remarkable progress made in capitalistic countries particularly since the war, such a view can only refer to the nineteenth and early twentieth century type of capitalism which is, indeed, just as out-of-date as the nineteenth and early twentieth century type of socialism.

23. We are, however, no longer living in those days and should not close our eyes to the enormous changes which have occurred in capitalistic societies throughout the world since then. Modern capitalism has changed beyond recognition from what it was a century ago. It has shown a remarkable capacity to fit into the most modern concepts of the Welfare State, while creating wealth and prosperity unprecedented in human history. Statistics are sometimes used to obscure this truth; as an instance, I may mention the extraordinary figures of national income growth quoted in a working paper entitled "The second Five-Year Plan's Tentative Framework" circulated a few months ago for purposes of discussion. The picture presented would lead us to believe that the annual growth of national income in socialistic countries under totalitarian regimes is three to five times as great as in capitalistic countries. To suggest, even by implication, that economic progress is greater in, say, East Germany, Poland, Hungary or Bulgaria than in West Germany, Belgium, France or England, let alone America, is to place a severe strain on one's credulity. There is, in fact, overwhelming evidence that the conditions of living in Western Europe are far better than in Eastern Europe and also that the rate of post-war recovery and economic growth is greater. This contrast can best be seen in a visit to East Germany as well as West Germany. Though both these zones were severely damaged during the war, the enormous disparity which exists today in economic- activity and in the standards of living of the people is there for all to see—a West Germany humming with activity and abounding in consumer and capital goods of all kinds, where the Government have actually had to warn both management and workers not to work so hard and so long; an East Germany, where conditions are visibly worse than across the border and where small producers restrict their output and avoid expansion for fear that their business and the fruits of their enterprise will be taken over by the State.

THE CHOICE OF MEANS

24. If I have taken so much of your time in discussing these recent developments of our economic policy, it is because they seem to me to be of crucial importance to the future of our country. We all appreciate the outstanding achievements of our government in overcoming grievous difficulties and stabilizing our economy since the attainment of Independence. A tremendous opportunity for rapid development within the framework of a free and democratic society now lies ahead. On the choice of the means and methods of achieving our objectives will largely depend the success or failure of our plans, and in our hurry and impatience to get quick results, let us beware of the temptation to jettison economic systems or working philosophies based on human nature which have stood the test of time.

25. In conclusion, may I repeat that if I have expressed doubts, it is not because I fear that business or industry or the few well-to-do may suffer a contraction of their income or profit, but because I sincerely believe that the voluntary enterprise of our people, individually and in groups, has a great part to play

in ensuring the success of the plans on which the country has embarked.

TWO MILLION TON PROJECT

26. Let me now turn to our own affairs and particularly to the important project for the further expansion of our Jamshedpur plant to an annual capacity of two million tons of ingots or a million and a half tons of finished steel, about which most of you must have by now heard.

27. First let me give you a little background. As part of their estimates of the country's consumption of steel under the second Five-Year Plan, Government have set the target for steel production for 1961 at 6 million tons of ingot steel or 4½ million tons of finished steel.

28. Under the declaration of industrial policy of 1948, Government had decided that all major expansion schemes in the steel industry amongst others should thereafter be undertaken by the State. In pursuance of this declaration, Government propose to erect three separate steel works of about a million tons each and to operate them under State ownership and management.

29. The addition of this capacity to the existing or planned capacity of the steel works in the private sector will still leave the country short of the target. Instead of building a fourth steel plant, Government have, I am glad to say, agreed that the existing plants in the private sector should be allowed to expand further. This is a decision to be greatly welcomed both because the three projects already planned will by themselves place a considerable burden on Government's financial and managerial resources and because the existing plants can be expanded more quickly and at less cost.

30. As the present programme already under way at Jamshedpur will bring our capacity by 1958 to 1,300,000 tons of ingots, the new expansion project involves the creation of an additional 700,000 tons of capacity. Preliminary studies have indicated that the project is both technically feasible and economically sound, that it can be completed within three years and that the cost will be in the neighbourhood of Rs. 60 crores. This compares favourably with the cost of putting up an entirely new plant. The technical details of the project are at present under investigation by a firm of American consulting engineers and by our own Management.

THE PROBLEM OF FINANCE

31. The financing of such a costly project obviously poses a serious problem. When discussing the new expansion scheme with Government, we stated that, in order to maintain the financial stability of the Company, not more than half the estimated capital cost should be financed from borrowings. The balance of Rs. 30 crores should be financed from internal resources and from the issue of fresh capital.

32. I am glad to say that Government have recently decided on doing away with differential prices as between one producer and another, and, pending an enquiry by the Tariff Commission which is at present in progress, they have provisionally increased our retention prices by an average of about Rs. 54 per ton with effect from April 1955. A condition of this and any further increase that may be granted on the recommendation of the Tariff Commission is that the whole of the resulting accretion to our profits, after paying tax on it, should be taken direct to a development account and used solely for purposes of expanding the Company's productive capacity towards the two million ton target. A further condition is that, if we do not go ahead with the project, the net additional profits accruing from the increase in prices must be repaid to Government.

33. The Government resolution referring the question of a revision in prices to the Tariff Commission provides that the prices should be such as would enable both the major producers to obtain a portion of their capital requirements for their current and additional expansion programmes from internal resources and as would enable them to raise the balance from outside sources. We have made the necessary representation to the Tariff Commission for a substantial increase in the new retention prices. It is expected that the Tariff Commission will proceed with the inquiry quickly and make an early report to Government.

34. Even if the Tariff Commission's recommendation and Government's ultimate decision enable us to accumulate over four or five years, as I hope, Rs. 20 crores for the expansion project, there will still remain a sum of approximately Rs. 10 crores to be found.

CAPITAL ISSUE

35. The Directors have come to the conclusion that the only source from which this sum of Rs. 10 crores can and should be obtained is a fresh issue of equity capital. Detailed proposals are being formulated to this end and will be submitted shortly for your approval at an extraordinary general meeting. While I cannot obviously anticipate at this stage what dividends will be paid in future, there seems to me to be no reason why, pending the completion of the project, the yield on the enlarged capital on the basis of present market values cannot be maintained.

36. I have already shown that this major project cannot be financed wholly from borrowings or internal savings. Apart, however, from the need for additional funds, there is an overwhelming case for an increase in the share capital of the Company. Taking into account the present modernisation and expansion programme, the two million ton programme and various ancillary projects and the normal annual capital expenditure, the gross block of the Company, during the next four years or so, will probably rise to Rs. 140 crores or more and its borrowings to something like Rs. 50 crores. It is clear that, on the basis of such enormous figures, an amount of Rs. 3.74 crores, which is the total capital provided in cash by the equity shareholders, including the premium on deferred shares, would be disproportionately low. Even if we add up the preference shares, the existing ordinary shares and the new issue which we now propose to make, it is evident that a total share capital of even Rs. 27 crores will be on the low side for a Company in which not far from Rs. 200 crores will have been invested. This does not mean that I visualise further issues of capital for cash in the near future. The best solution of the problem will lie in the capitalisation from time to time of reserves as they are built up and in corresponding issues of bonus shares. The fact that for so many years shareholders have had to be satisfied with low dividends provides a strong case for such a policy and I hope that the Government of India will grant the necessary sanction as the occasion arises.

37. Taking all these factors into consideration, I am sure that shareholders will agree that the proposed issue of fresh capital is necessary if we are to go ahead with the project at all. On that assumption, let me now briefly analyse the merits of the scheme itself.

MERITS OF PROJECT

38. To my mind there can be no question that the proposed expansion of our plant will bring significant benefits to the Company, its shareholders and its employees, as well as to the country.

It will increase the Company's finished steel capacity by 60 per cent.

It will, as a result of the increased output and the better spread of overheads, help to reduce costs.

It will largely solve the intractable problem of excessive labour which has plagued us all these years.

Finally, it will provide the opportunity for the Company to make an important contribution to the country's economic expansion. I have, in previous speeches as well as in this, stressed that Free Enterprise has a major role to play in the country's regeneration. It would, therefore, be wholly inconsistent with such a view if, when Government did show their willingness to take our assistance, we were to withhold it.

39. As the implementation of this scheme must, apart from other considerations, depend on the availability of some Rs. 30 crores of foreign borrowings to pay for the plant and equipment to be purchased abroad, Mr. J. D. Choksi, Mr. A. D. Shroff and I, and later Sir Jehangir Ghandy, visited the United States to investigate the sources of capital and plant available there. We found, for reasons which need not be elaborated here, that American private capital which has unlimited opportunities in its own country and in other parts of the world where the climate for private investment is exceptionally favourable, would not be available to us to any appreciable extent either in the form of loans or of share capital.

40. We held discussions with the World Bank and the Export-Import Bank. Both these great financial institutions received us, and listened to our proposals, with cordiality, courtesy and responsiveness. We came away satisfied that the required long-term finance would be made available to us.

41. Finally, we took the opportunity of calling on some of the highest ranking officials of the American Government and I should like to take this opportunity of expressing our deep appreciation of the interest they took in our proposals. I believe that the United States Government is anxious to help India in her industrial development.

42. Further progress in negotiating the necessary finance in the United States must await the completion of the technical studies of the project now under way by consulting engineers and our own management. We expect that stage to be reached in the next few weeks, when negotiations with the U.S. Government, the Export-Import Bank and American manufacturers will be resumed. We shall spare no effort to ensure that the scheme as finally adopted is technically and financially sound and that, once it is approved, it is pushed through with the maximum of energy and speed. I am sure in this effort we can count on the support of our shareholders and employees.

LABOUR'S ROLE

43. I have specifically mentioned our employees because they have as vital a stake in this project as anyone else and because they will have also an important responsibility in its implemention.

44. We have in recent years made it clear to them that there was no room left for any appreciable increase in their emoluments except through an improvement in their productivity. We obviously cannot afford to embark upon a scheme of this magnitude if, at the end of it, we are still to be burdened with the gross excess in our labour force which we have today.

45. The new Government plants will be of the latest type, employing a much lower number of men per ton of capacity than we do at Jamshedpur. It is obvious that if Government pays the same wage rates as we do, their labour cost per ton of steel will be substantially lower than ours unless our output per capita is correspondingly increased. Fortunately, the proposed expansion will provide the opportunity to achieve smoothly and painlessly a substantial increase in the output per capita at Jamshedpur involving no retrenchment and ensuring job security and higher earnings to our workers in the years ahead. I sincerely trust that they will appreciate and seize the wonderful opportunity which the scheme will bring them of serving their own interests as well as those of the country.

46. As usual at these meetings, it gives me great pleasure to express to our Management and staff throughout the Company's vast organisation our appreciation of the excellent work they have put in during the year and our thanks for their co-operation.

RECORDS & STATISTICS
(QUARTERLY BULLETIN)

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

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Company Meeting

RUBY GENERAL INSURANCE CO., LTD.

Speech by Mr. B. M. Birla, Chairman, Ruby General Insurance Company Limited, delivered at the Nineteenth Annual General Meeting of the Shareholders of the Company on Tuesday the 30th August 1955.

Gentlemen,

I welcome you to the 19th Annual General Meeting of the Company.

The Report of the Directors and the Audited Accounts for the year 1954 have been with you for some time and I expect you would allow me to take them as read.

The following figures will reveal the progress of the Company.

TABLE A—GENERAL INSURANCE

Net Premiums

	1952	1953	1954
	Rs.	Rs.	Rs.
Fire	25,94,000	25,90,000	32,76,000
Miscellaneous ..	34,69,000	35,42,000	37,11,000
Marine ..	9,75,000	10,48,000	12,78,000
	70,38,000	71,80,000	82,65,000

TABLE B—LIFE ASSURANCE

	1952	1953	1954
	Rs.	Rs.	Rs.
New Business ..	2,49,99,000	2,63,63,000	3,41,57,000
Life Assurance Fund	2,02,78,000	2,39,91,000	2,83,09,000
Premium Income ..	56,07,000	57,67,000	62,73,000

Our total reserves have increased this year by Rs. 48,28,000|-, Rs. 41,61,000|- in Life and Rs. 6,67,000|- in General Department.

Under the competitive conditions that obtain today in our trade, the all-round increase in the income of our General Department is gratifying. The recent downward revision in Fire Tariff rates is yet another obstacle which general insurers will find rather difficult to meet and I for one feel that the results may well be the complete opposite to those envisaged by the sponsors of this move. Our efforts in respect of overseas business have yielded fruit and premium income from this source has substantially increased. There is still scope for further increase of income in this direction and a cautious policy of expansion in the overseas market followed by our Company, coupled with the correct underwriting policy followed by us at home, will make for increasing progress for this Company from year to year.

Marine Insurance business continued to face unhealthy competition due to rate cutting by foreign markets and increased demand for wider covers with nominal extra charge. Due to this, Regional Councils were obliged to withdraw tariff for many ports to enable Indian Companies to maintain their portfolio. I hope the World Marine Conference which is going to be held in September at Monte Carlo would take steps to put Marine Insurance business on sound footing.

The Miscellaneous Department has been consistently showing losses for the last many years, primarily because the Automobile section continues to show an increasingly unfavourable loss ratio. While it is regretted that this should be so, this unhappy experience is the feature of most general Insurers throughout the world. In this connection, it is pertinent to note that the 1953 experience of English Companies disclosed an underwriting profit of 2 per cent and odd only. Among the reasons for this state of affairs is the increasing consciousness of the right of the public to claim damages from Insurers whether the same falls within Policy Conditions or not. It is possible that if the losses are strictly surveyed and relative claims settled as per actual losses, the Department concerned should be able to show profits. This can only be possible if the various Insurers individually follow a stricter claims settlement policy. We on our part are following a strict underwriting policy in this regard and efforts are made to develop other miscellaneous business which would to some extent offset the results of the Automobile Department.

The working of the Life Department shows a distinct improvement in all directions as is evident from the comparative figures given above. The Life fund has increased by an amount of Rs. 43,17,000 as against Rs. 37,13,000|- and the premium income has increased by Rs. 5,06,000 as against Rs. 1,60,000 in the previous year respectively.

Your Directors have decided to have another valuation of our Life Department for the year ending 1954 and we expect that it will show substantial surplus to enable us to give higher bonus to our policyholders.

The report of Taxation Enquiry is before us and I am glad to see that it is recommended to allow larger abatement in respect of payment of Insurance premium from one sixth of the total income with a ceiling of Rs. 6,000 to one fifth of the total income with a ceiling of Rs. 8,000. They have also recommended to allow General Companies to add 5 per cent of their annual net premium to reserves every year free of tax until the reserves reach certain limits. I am sure that Government will accept their recommendations as such encouragement will give impetus to Insurance Companies.

NATIONALISATION

The bogey of Nationalisation is in the air. It is true that the Government has not categorically declared its stand on the subject as yet but Ministerial utterings in spare time are doing more harm than good. The Industry is labouring under a cloud. Utterences by those who should know better and their criticism of our trade, based on an insufficient knowledge of the subject, have made it impossible for us to pursue our course with confidence.

If our trade is to play its destined role in the building up of future India as envisaged in the Plans of Government, we should be assured that the future success and development of the Industry is bound up with free enterprise. State intervention to the extent that it is calculated to ensure the safety of the Public the Industry undertakes to serve, is good. State intervention is beneficial and justified till such time as it does not cross these principles of public safety, which is the legitimate limit to which a Government can interfere, with the working of a private enterprise. Acquiring the reins of the trade by the Government, where the absence of personal responsibility of its servants is proverbial, is sure to lead to abuses to which any Statemanned organisation is inherently inclined. Too much of any good thing is unhealthy for any growth in the long run and this applies with equal emphasis to State intervention in Insurance. The State has intervened to the necessary extent and still has the right to take over the administration of any unit, that may be calculated to work against public interest and any further infringement on the part of Government in this direction is bound to be suicidal in the long run.

I feel that before nationalising any new Industry, Government ought to take stock of what they have done up till now. If one goes into the working of nationalised undertakings, he will find that they are not properly managed and cost to the public has increased. Insurance is one of the few Industries which has been able to hold its own against foreign competition without any protection from State.

Out of Rs. 154.48 crores Life business completed in 1953 in India Rs. 137.46 crores business has been controlled by Indian Companies. Similarly in General Department out of Rs. 20.71 crores premium available in India Rs. 11.94 crores have been controlled by Indian companies.

Our Companies are also making headway in foreign countries. In the year 1953 Indian Companies acquired a premium of Rs. 8.29 crores in foreign countries against net Rs. 6.77 crores premium completed in India. Cost of insurance to public as you are aware, is going down from year to year due to competition among Insurance Companies. If Insurance Industry will be nationalised it would bring stagnant condition in this business which is developing every year and hence I hope Government will allow this Industry to play its successful part in the interest of our country.

Gentlemen, you have heard of the sad demise of our General Manager Shri Jwalaprasad Kanoria. He was associated with this Company right from inception and his absence will be felt by all those who came in contact with him. We record our deepest appreciation of the services he rendered to the Company and convey on behalf of the Board of Directors and Shareholders our heartfelt condolences and sympathies to the members of the bereaved family.

Before I conclude I wish to thank the Executives, Staff, Agents, Representatives and the field workers of the Company in India and abroad for their sincere cooperation and efficient services. It is due to this encouraging co-ordination of all of them, the Company has been able to make steady progress. I also convey my thanks to the policyholders whose support has helped the Company to achieve this position.

Thanking you.

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COMMODITY NEWS AND NOTES

CEREALS TARGETS CROSSED

The agricultural year 1954-55, which ended in June, witnessed an increase both in the acreage and production of cereals in India as compared to 1949-50, the base year for the first Five-Year Plan. According to an official review of agricultural production for the year, the average yield per acre also went up considerably during this period. The total production of cereals during the year, according to the review, was 55.3 million tons representing an increase of 9.3 million tons over that of 1949-50. The area under cereals in 1954-55 was 209 million acres as against 193.6 million acres in 1950-51. Thus while during these years the acreage increased by 6.9 per cent production rose by nearly 20.2 per cent.

The total production to cereals during 1954-55 not only exceeded the quantity aimed at for the fourth year of the Five-Year Plan, but also crossed the target fixed for 1955-56 by 2.8 million tons. Similarly, the acreage under cereals during the year was higher than the target at the end of the Plan period by about 12 million acres. Both production and acreage, however, fell short of the record figures of 57.9 million tons and 215 million acres respectively achieved in 1953-54.

RECORD WHEAT OUTPUT

Wheat production established an all-time record at 8.5 million tons in 1954-55 exceeding the target for 1955-56 by about 0.2 million tons. The production of millet and other minor cereals during the year reached 22.6 million tons which was 5.6 million tons more than the target fixed for 1955-56. The yield of rice during the year was 24.2 million tons. This fell short of the calculated target of the fourth year of the Plan by 2.2 million tons. Set against the background of 1953-54, when production of rice reached its peak at 27.6 million tons, the review, said the setback appeared more pronounced. But the production in 1954-55 was still about a million tons higher than that in the base year.

The fall in rice production during the year took mainly in Bihar and West Bengal where heavy rainfall and floods in the northern districts and continuous drought in southern districts hampered the sowing and transplantation of both autumn and winter paddy. Out of the total shortfall of 3.4 million tons, these two States accounted for nearly 3.1 million tons. With a total production of 55.3 million tons and an estimated population of 378 million, the 'per capita' availability of cereals in India in 1954-55 works out to 14.4 ounces, which is 0.4 ounces higher than the balanced diet laid down by the Nutrition Advisory Committee. It also exceeds the target set for the first Five-Year Plan, i.e., 13.71 ounces per head for 1955-56.

IMPORTS SLASHED

The increased production of cereals has enabled the country to cut down its imports of cereals and to save valuable foreign exchange. In 1951, India imported 4.7 million tons of cereals costing Rs. 217 crores. In 1954, the total imports came down to 808,000 tons valued at Rs. 47 crores. In addition, 7,000 tons of rice worth about Rs. 51 lakhs were exported during that year. The total quantity of cereals imported in 1955 (up to July) is about 690,000 tons.

The increase in production, particularly the higher percentage of yield per acre, could not be attributed to kind weather conditions only, the review said. In the context of floods and droughts in large areas in Bihar, West Bengal and Uttar Pradesh in 1954-55, credit for the good crops must go to better irrigation facilities, distribution of quality seeds, progressively liberal use of fertilisers and improved agricultural practices.

PRICE SUPPORT FOR RICE

Encouraged by the success of the recent price support measures for wheat, the State Governments concerned, in co-operation with the Union Government, have decided to make purchases of coarse rice at selected mandees, if the prices of that quality sag below Rs. 11 per maund. This decision was taken at a conference of the State officials which concluded its two-day deliberations in Delhi on August 25. The conference, which was presided over by Mr. P. N. Thapar, Secretary of the Ministry of Food and Agriculture, was attended by representatives of 14 States, including Hyderabad, Madras, Bombay, Punjab and PEPSU.

Acting on behalf of the Central Government, which will provide necessary finance and also be responsible for the grain bought, the State Governments will have the option to buy either rice or paddy. In the case of the latter, the price will be fixed with due margin allowed for the cost of conversion of paddy, in the context of the above minimum prescribed price for coarse rice. The buying operations will follow the pattern set up earlier by the wheat purchase scheme and will be carried out through purchasing agents appointed by the States or departmentally.

In his opening remarks, Mr. Thapar said that the purpose of the meeting was to have an idea of the probable trend of prices of rice after the ensuing harvest, with a view to ascertaining whether it would be necessary to give support to the prices of rice. The Government of India, he disclosed, had decided to buy coarse rice at Rs. 11 per maund or paddy at an equivalent price if the price declined below that level.

CANE CRUSHING SEASON

The Central Government is considering the question of asking sugar mills to start crushing earlier this year. Disclosing this, the Minister for Food and Agriculture told the Lok Sabha that sugar-cane growers had made this suggestion recently, and that, if necessary, suitable concessions should be given to the mills for low recovery. The Central Government, he added, was now considering this question in consultation with the States and other interests concerned.

FINAL ESTIMATE OF PULSES

The consolidated all-India final estimate of pulses (gram, tur and other pulses), 1954-55, puts area and production at 54,004,000 acres and 10,474,000 tons, as against the partially revised estimate of 53,715,000 acres and 10,453,000 tons for 1953-54, according to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. This shows a slight increase of 289,000 acres or 0.5 per cent in area, and 16,000 tons or 0.2 per cent in production over 1953-54.

TRAINING IN SEEDS CROPS

A scheme for organising two centres, one at Kanpur (U.P.) and the other at Tindivanam (Madras), for training research workers on oilseeds crops, has been approved by the Government of India.

Under the scheme which has been sponsored by the Indian Central Oilseeds Committee, Hyderabad, 30 workers will be trained at each centre for three months at a total cost of Rs. 40,000. Trainees will be drawn from official working in the Agriculture departments of various States. Since rape, mustard and linseed are chiefly grown in North India, training in these crops will be provided at Kanpur. The Tindivanam centre will give training in groundnut, sesamum and castor, which are mostly grown in South India.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	316.1	436.5	350.5	377.3	614.0	377.7	90.5	100.7	88.4	113.0
November 1954 ..	334.2	443.8*	348 8*	377.0	605 4	376.1	90.4	100.5	88.3	118.2
December „ c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	116.0
										113.7
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	
February „ c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March „ c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April „ c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May „ c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June „ c ..	281.8*	390.4	330.6	370.0	567.4*	342.6*	90.8	100.6	87.5	113.2
July „ c ..	309.3	408.4	329.6	370.7	562.0	355.4	90.9	100.7	87.8	117.9
Week Ending										
9-7-1955 ..	304.0	412.8	331.6	370.6	567.8	354.7	90.9	100.7	87.7	116.9
16-7-1955 ..	317.8	408.3	331.1*	370.5	570.1	358.8	90.9	100.8	88.0	118.6
23-7-1955 ..	312.5	407.7	329.8	370.9	552.7	356.3	90.9	100.8	87.9	118.7
30-7-1955 ..	313.3	414.6*	325.7	371.8	551.4*	357.2*	90.9	100.7	87.9	119.8
6-8-1955 ..	315.7	400 9	327.1	371.5	560.7	356.3	90.9	100.7	87.8	121.4
13-8-1955 ..	315.2	406.3	326.6	371.6	559.7	356.9	90.9	100.7	87.8	122.0

c Average of weeks. *Revised

†Economic Adviser's Series. ††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
						105	104	—	106	—	—	—
1939 (Aug-Dec.)	103	—	—	—	—	471	372	146	309	168	136	134
1948	288	303	243	132	339	478	377	151	323	164	138	138
1949	292	307	248	132	348	434	372	153	325	165	145	138
1950	298	313	257	132	349	451	391	168	334	167	160	144
1951	314	330	261	142	370	441	380	150	330	151	154	141
1952	321	337	250	143	351	453	387	151	351	147	156	145
1953	346	363	275	140	349	408	373	139	341	148	140	138
1954	342	359	244	138	327							
				135	330	408	372	140	336	145	141	138
1954 August	345	362	241	137	332	406	371	137	335	147	142	138
September	347	364	237									
			236	141	336	404	369	134	338	145	143	138
October	346	363		139	325	387	370	135	337	146	139	135
November	344	361	235	135	321	369	370	128	337	144	135	134
December	341	352	227									
			217	132	324	372	370	126	333	141	136	134
1955 January	335	358		128	310	384	361	126	326	137	135	131
February	329	345	210	127	310	377	360	129	321	133	133	130
March	328	340	207									
			205	126	311	352	353	130	314	129	129	129
April	324	340		122	315	335	351	—	—	—	—	—
May	320	336	204	123	317	347	—	—	—	—	—	—
June	317	333	211									
				—	—	371	—	—	—	—	—	—
July	324	340	224									

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 27-8-1955			20-8-1955			13-8-1955			6-8-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ...	96- 6	95- 6	95-14	95- 2	95- 1	95- 2	95- 2	94-11	94-14	94-11	94- 8	94-10
Silver (per 100 fine tolas)	167- 4	165-12	166- 9	163- 0	161- 4	162- 0	161- 8	160-12	161- 2	162- 0	161-12	161-15

AVERAGE DAILY NUMBER OF PERSONS EMPLOYED IN THE COAL MINING INDUSTRY IN INDIA 1944-1953

Year		Men	Women	Children†	Total	GRAND TOTAL
1944	Below Ground ..	121,932	22,207		144,139	285,428
	Above Ground ..	96,884	44,343	62	141,289	
1945	Below Ground ..	126,234	25,927	21	152,182	334,445
	Above Ground ..	127,535	54,594	134	182,263	
1946	Below Ground ..	139,110	13,505	..	152,6 5	367,441††
	Above Ground ..	142,235	72,191	192	214,618	
1947	Below Ground ..	187,442	24,575	..	212,317	363,994
	Above Ground ..	101,989	49,868	120	151,977	
1948	Below Ground ..	188,127	18,871	..	206,998	348,383
	Above Ground ..	97,415	43,737	233	141,385	
1949	Below Ground ..	190,570	14,479	..	205,049	345,190
	Above Ground ..	97,457	42,572	112	140,141	
1950	Below Ground ..	171,961	..	.	171,961	349,889
	Above Ground ..	120,538	57,390	..	177,928	
1951	Below Ground ..	178,144	..	..	178,174	351,975
	Above Ground ..	118,575	55,226	..	173,801	
1952	Below Ground ..	182,762	..	..	182,762	348,663
	Above Ground ..	114,433	51,468	..	165,901	
1953	Below Ground ..	181,491	..	..	181,491	341,193
	Above Ground ..	110,890	48,812	..	159,702	

† The children were employed in the coal mines in the former States of India, before their integration with the Indian Union.

†† Includes 208 persons in respect of whom particulars are not available.

WORLD COAL PRODUCTION

(In thousand metric tons)

Year	World	Southern Rhodesia	Canada	Mexico	United States	Chile	India	Japan	Belgium
1933	904000	484	9954	647	347608	1538	20107	32524	25300
1934	979000	643	11700	782	377885	1808	22411	35925	26389
1935	1000000	695	11760	1255	382634	1900	23386	37762	26506
1936	1090000	705	12886	1308	445026	1875	22974	41803	27867
1937	1154000	1029	13411	1242	448303	1988	25438	45258	29859
1938	1062000	1044	12039	1093	355295	2044	28798	48684	29585
1939	1128000	1118	13364	877	402156	1850	28215	52409	29844
1940	1181000	1291	14939	816	462045	1938	29860	57318	25539
1941	1226000	1412	15333	856	515048	2060	29037	55602	26722
1942	1291000	1561	15933	914	580680	2151	29905	54179	25055
1943	1293000	1779	14689	1053	587921	2265	25921	55539	26737
1944	1244000	1808	14201	904	617543	2279	26546	49335	13529
1945	1023000	1669	13584	915	571420	2079	29655	22371	15833
1946	1069000	1613	14776	983	536837	1966	30187	20368	22779
1947	1204000	1508	12971	1040	621368	2079	30481	27235	24436
1948	1230000	1696	15296	1057	592911	2271	30607	33860	26691
1949	1119000	1918	15649	1075	433161	2077	32204	37973	27854
1950	1210000	2128	15364	912	505319	2217	32825	38459	27321
1951	1255000	2300	14845	1104	516871	2211	34984	43312	29651
1952	1219000	2559	14058	1319	457590	2450	36885	43359	30384
1953	1200000	2618	12587	1432	436495	2336	36422	46531	30060

Year	Zecho-slovakia	France A	France B	Germany	Italy	Nether lands	Poland	Spain	U.K.	Australia
1933	10532	46887	10561	109905	384	12574	27356	5999	210430	9238
1934	10687	47632	11318	124891	427	12341	29233	5932	224263	9958
1935	10894	46213	10623	134118	520	11878	28545	6946	225805	11063
1936	12233	45228	11684	146723	967	12803	29747	3272	232100	11552
1937	16673	44346	13365	171124	1272	14321	36218	2084	244251	12268
1938	15836	46504	14389	171797	1480	13488	38104	5649	230636	11867
1939	18803	49147	13258	174628	2024	12861	23184	6606	235050	13752
1940	20966	39323	11293	173061	2282	12145	..	8862	227898	11914
1941	21071	41849	14431	172100	2393	13356	..	8763	209655	14440
1942	22770	41869	15290	172630	2522	12330	..	9257	208238	15112
1943	24817	40531	16157	174325	1358	12497	..	9591	202141	14305
1944	23239	25241	12380	153655	613	8313	..	10485	195858	13917
1945	11425	33313	3463	35484	758	5097	20183	10732	185717	12997
1946	14130	47155	7885	53940	1167	8314	47288	10759	193132	14105
1947	16216	45230	10541	71124	1362	10104	59130	10488	200633	15069
1948	17746	43291	12566	87033	972	11032	70262	10423	212806	15020
1949	17003	51199	14268	103238	1104	11705	74081	10637	218619	14332
1950	18456	50843	15091	110755	1031	12247	78001	11042	219796	16808
1951	18300	52972	16279	123278	1167	12424	81992	11348	226469	17891
1952	20300	55365	16235	127702	1089	12532	84437	12036	230125	19716
1953	20300	52588	16418	128552	1131	12297	88600	12194	227792	18725

A: Excluding the Saar. B: Saar Production.



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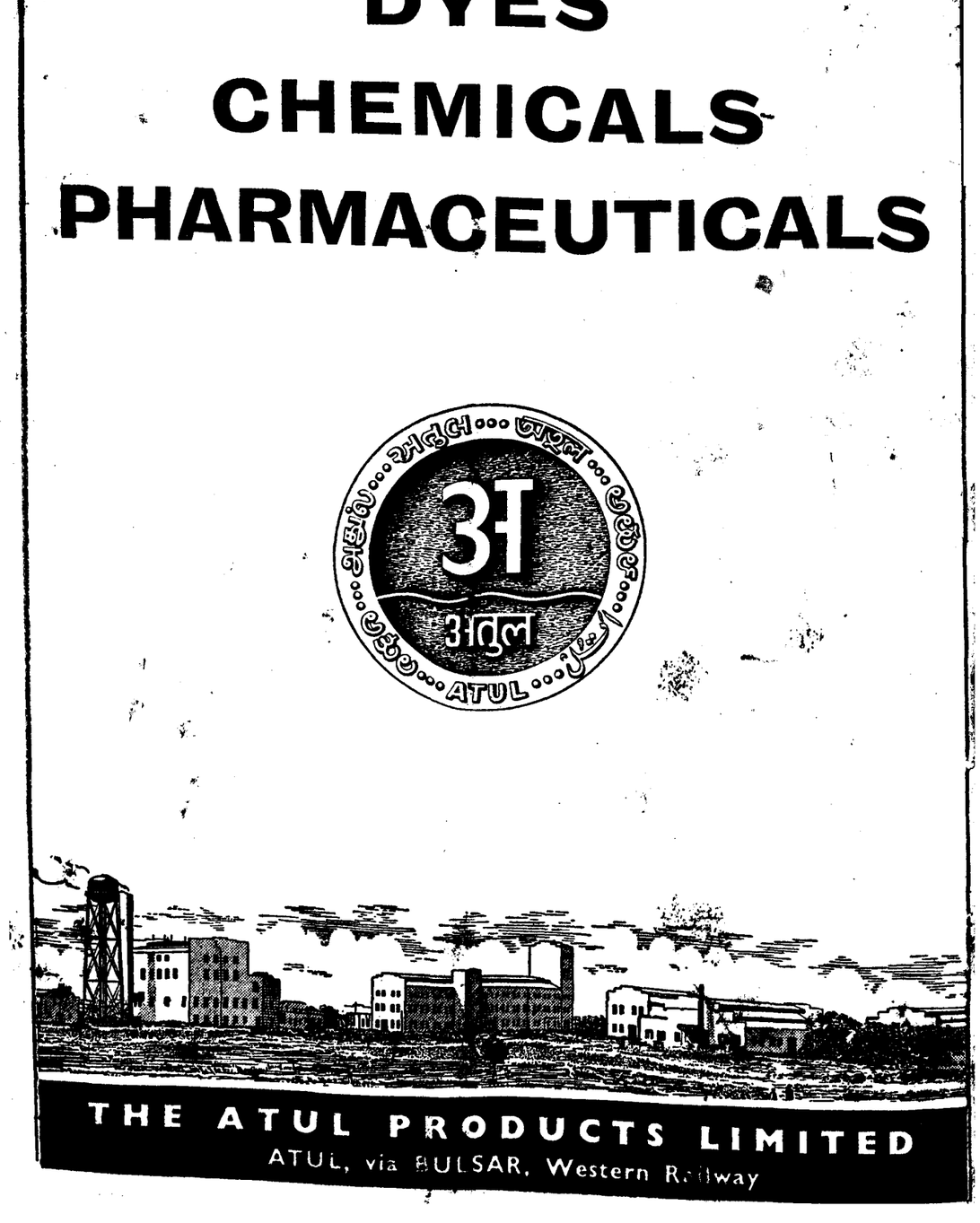
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The Philosophy of the Congress

THE periodical sessions of the All-India Congress Committee in recent years have not indeed been known for their positive contributions to Congress policy. They have invariably proved to be occasions on which the Congress leadership could secure ratification of its policies; and the resolutions passed at these sessions were mostly sponsored by the leaders at the top and beaten into shape in advance in the Working Committee before being presented for voting. The New Delhi Session of the A.-I.C.C. also shared this quality in some measure. The resolution on Goa, for example, which it acclaimed almost unanimously, was already crystallised in the Prime Minister's mind after the experience of the events of August 15, if not even before. This is nothing more than saying that on foreign policy the A.-I.C.C., like the rest of the country,

has been quite content to leave the responsibility to Mr. Nehru and accept all the detailed implications of his policies. In the domestic sphere too, the acceptance of the "socialistic pattern" of society which Mr. Nehru placed before the Congress a year ago has been so unanimous as to seem unquestioning. But here the philosophy of the Congress Party has been less exclusively the Prime Minister's responsibility. The party, it seems, was quite ripe for taking over the goal of "socialistic pattern" and differences, if any, have been only over its content and not on the principle itself.

There has since been a good deal of boldness in interpreting the content of the socialistic pattern in widely different terms which is in contrast to the few differences that arise over the details of India's foreign policy. In Parliament, for example, the discussions over the Companies Bill have shown that both moderate and extreme views prevail, though the latter seem to preponderate because of their very loud tones. Almost a similar divergence of attitude was apparent at the New Delhi Session of the A.-I.C.C. over the general discussion on the second Five-Year Plan. Mr. Gulzarilal Nanda's long note on some basic considerations relating to the second Five-Year Plan was a resume of the problems that confront the Congress politician in office who has to implement the Plan, while accepting all the implications of the socialistic pattern of the future. Mr. Nanda's stature in the party and his experience in planning should have weighed quite strongly in influencing opinion. Curiously enough, the result has been otherwise. The consensus of opinion has been definitely against all kinds of hesitation in the approach to the problems of planning and on this point the A.-I.C.C. has been quite unambiguous. It was not Mr. Nanda who gave the lead; he seems to have now taken the cue from the party to act more boldly.

It is possible to interpret this in two ways. This incident may be seen as a refusal of the lower ranks of the party to listen to counsels of prudence. Or it may be seen as a reluctance to rest satisfied with moderate doses of advance in the matter of economic progress and welfare. In a party which has too long been subject to direction from above, there is no reason to deplore a certain amount of impatience with the senior leaders, even if it was not warranted. In this case, however, there are reasons for taking a more hopeful view of the developments and assuming that the Congress Party as a whole is now deeply imbued with a belief in the desirability of economic progress. It need not follow from this that there is enough awareness of all ends and means and enough understanding to make conscious and reasoned choices between all the available alternatives at the present time. Most of the controversy now centres round questions relating to means and it is certainly no sign of wisdom to assume that the available means at the present time are unlimited or that the range of choice is so wide that almost anything can be attempted. But the first condition of all economic progress of a people is that they must desire it earnestly, and in the proceedings of the A.-I.C.C. one can find evidence that this desire has been shown beyond all doubt.

That, indeed, is a great good in itself. A political party, which is faced with an obligation to fight general elections on universal suffrage in less than two years, could not normally have been expected to seek sacrifices from the people for finding resources for development. Most State Governments, with a keener perception of the political problems involved in raising resources, have hesitated to agree to more taxes and Mr. Nanda's note similarly assumed a limitation of resources as inevitable. And yet, a Sub-Committee of the A.-I.C.C., with Mr. Nanda himself as Chairman, has rejected these conservative assumptions of resources and compelled its leaders to make a bolder search through more loans and other forms of mobilisation of savings, while pleading for token sacrifices from Congress men themselves. This was a downright rejection of Mr. Nanda's tone of pessimism shown even at the commencement of planning. The party cannot be wholly unaware that in practice many limiting factors may operate but it has been in no mood for the defeatism which prompted the planners to be overcautious even at this stage and accept limitations on the rates of advance.

The A.-I.C.C. has thereby confirmed the theory that in India belief in economic progress is not only consistent with the cultural and traditional patterns of thought but also that it can be politically sold to the people. A promise thus made in political terms cannot be wholly rash and unpremeditated because there is always a time for reckoning and for the people's taking stock of actual fulfilment. By making the promise in bold terms, the foundation has been laid for the effort needed for translating such promises into fulfilment. It is in respect of methods that the Congress Party appears to be working often at cross-purposes, because of the tendency to accept conflicting goals in quite unqualified terms. To plan for heavy industries and then to demand employment on a huge scale is one such example. Similar contradictions are involved in the demand, on the one hand, for the abolition of all mechanical methods of production and in seeking, on the other, larger production and a higher rate of economic progress. While realising the necessarily limited number of agencies for organising modern methods of production, there has been a readiness to hamper the efficiency of these agencies by restrictive legislation. These self-stultifying means would become disastrous if they were ends in themselves. They are not and so long as the ultimate goals are clearly held in view, the right means would emerge in due time.

All these methods will remain to be resolved in time. The Congress Party which has set for itself a special role in the matter of raising living standards must, of course, realise that the more quickly it succeeds in clarifying its attitudes on the means, the more capable it will prove itself in the short run in delivering the goods. The ideals of equality and social justice are integral to its aspirations for progress and would therefore constitute the mainsprings of all national endeavour. It is inevitable that they should always be kept in view and actions and policies judged by whether they are consistent with those ideals. But like most great ideas pursued by those who are initiated into their implications, these are capable of being employed in destructive ways too. They can be invoked to create political confusion and economic decline if they are seized upon by the demogogue, to whom long-term ends have no meaning.

Eternal vigilance alone can check such tendencies and there is no reason at the moment to feel that they will be left unchecked in the Congress organisation when criticism based on understanding gradually grows from within. There is, understandably, a resistance now to criticism from outside, which delays the development of a responsible attitude to economic affairs. This is not due to errors in the basic philosophy of progress. The will to achieve it is there. And when there is the will, we may expect the ways to be mastered in due time.

The Changing Capitalism

MR. J. R. D. TATA's speeches at the Annual Meetings of the Tata Iron and Steel Company have always been noted for a characteristic detachment from the more common problems which form the theme of the speeches of other company presidents. This year Mr. Tata has expounded a theme which the ordinary business man would hesitate to touch because of his greater difficulty in making the mental adjustments necessary to adapt himself to the prevailing climate of opinion. How appropriately Mr. Tata has chosen his theme of the role of private business at this time will be evident from another circumstance. Almost simultaneously, Mr. Gulzari Lal Nanda, Minister for Planning, was putting forward, in connection with the second Five-Year Plan, a plea for the reorganization of the private sector based on Gandhiji's principle of trusteeship, in somewhat hopeful terms. Mr. Nanda was not indulging in wishful thinking when he assumed that in the case of the private sector it would be possible to introduce the principle of service of the community in the place of private profit and control over the economic resources. That the same idea should have flowed from two different and unrelated quarters at one and the same time is a tribute to the power of the idea itself.

While on the one hand, the private sector has been chastised in connection with the clauses of the Companies Bill or in relation to plans for the public sector in the next five years, this strong belief, on the other, seems a sure sign of the capacity of the reformed private sector to survive these onslaughts. Mr. Tata's social philosophy stated in his speech is not, indeed, new in the history of private capitalism. Others before him have, despite the fact that business in the past was conducted and profits were earned without too much regard to fine scruples about principles, shown a similar tendency to be converted eventually to the idea of a social function for private business. Lord Leverhulme, for example, asserted the criterion of social well-being not because of a sentimental feeling of sympathy for the underprivileged but because he was convinced of the need for a more just division of the rewards of industry. Lever hit upon the idea of "prosperity sharing" even while he defended private capitalism as a basis for industry. It is in that sense that Mr. Tata also has refused to oppose the objectives of social justice, regulation of anti-social activity and undue accumulation of wealth and power. His plea for freedom to the private sector is conceived in a manner which is closely consistent with these larger social ends. Only, he insists, at the same time, on our "making full use of the natural instincts of human nature as it exists and not rely unrealistically on the hope that they can be changed in a short time by executive act or legislation". Faced as the country is with the imperative need to work, to produce, to save and to invest, is it wise, he pertinently asks, to lay so much emphasis at this stage on levelling down incomes and seeking to achieve an equalitarian society, before we have created a reasonable quantum of wealth to distribute equally?

In the second part of his speech relating to the affairs of the particular undertaking, the Tata Iron and Steel Company, Mr. Tata provides practical proof of his very optimistic assessment of the future of private business in spite of the criticisms to which it is being now subjected. The mere fact that Tata's plan for expansion of the Jamshedpur plant to an annual capacity of two million tons of ingots has been made at a time when the application of the Industrial Policy Statement of 1948 and the implication of the socialistic pattern of society might place the plan in jeopardy, is an indication of readiness of the neo-capitalist to work for the community's interests even when personal interests are not so safe. It is true that in enabling him to do so in the steel plant, Government has also been equally imaginative and ready to utilise private enterprise wherever it offered itself. It was not often that in Indian industry one came across a plan for investment of Rs. 60 crores in one unit, when conditions were relatively favourable. Hitherto, such a possibility had been ruled out as beyond the means and imagination of the private sector. The disproof of this theory has come in time, and provides the surest indication of the dynamism of the Indian economy which has shown itself during the last three years.

The Tatas have agreed to two exacting conditions in promoting a programme of expansion. The recent increase in the retention prices of steel has been granted on condition that the resulting addition to profits after paying tax should be taken directly to a development account and used solely for purposes of expanding the company's productive capacity towards achieving the two-million-ton target. The second condition is more onerous and runs to the effect that if the project is not undertaken the net additional profits arising from the higher prices must be repaid to Government. The implications of the acceptance of such terms are obvious.

Political exigencies have in all countries tended to discover in business in the private sector a scapegoat and that attitude can in a sense be justified if examples are taken from the earlier phases of evolution of corporate and individual business operations. In a period of transition it is difficult to discover examples which can generalise the state of things to come. The tendency has, therefore, been to compare Indian conditions with those where evolution has been more rapid, where the professional manager with his new conceptions of management has replaced the hereditary business man with a keener sense of self-interest. Mr. Tata and others who, like him, have now begun to think out new lines must be regarded spearheads of the new drive to reform private enterprise.

In the Valley of Decision

MR. NANDA'S PUZZLE

THE Minister for Planning, Mr. Gulzarilal Nanda, has appeared in a threefold role during the last one week. As the author of the famous note on "Some Basic Considerations to the Second Five-Year Plan" he became known for caution bordering on pessimism about the resources and employment targets of the Plan. It does not appear that he followed this lengthy exposition with arguments to support his note in his address to the A.-I.C.C. to focus its attention on all the implications of the Plan. Indeed, as reports go, he has been pictured in a different role altogether, as advocating that if the investment targets in the Plan do not provide eleven million jobs, additional investment should be made. This is at variance with doubts expressed in his note about the capacity of village and hand industries to provide the jobs and the goods in adequate volume, and the doubts about the availability and sufficiency of the resources. Then there is the Nanda of the Employment Plan for the educated middle class in which he seems to have isolated the more important political aspects of unemployment from its economic aspects. As Chairman of a Sub-Committee of the A.-I.C.C., Mr. Nanda looks like having repudiated his fears expressed only a week earlier on the basic assumptions of the Plan-frame. And finally, at a meeting of the National Development Council on Monday this week, Mr. Nanda played his official role as Minister and Member of the Planning Commission and seems to have said very little either about his fears or his later optimism.

To most observers all this has been bewildering. One interpretation of the proceedings of the A.-I.C.C. is that the Congress is now more conscious than ever of placing before the country an inspiring blue-print for progress and would not hear of fears and doubts. That certainly is true. But then, what made Mr. Nanda present his earlier note full of hesitation? Is he very much behind in feeling the pulse of the party? Later, as a Member of the National Development Council, why did he not take cognizance of the report of the Sub-Committee of A.-I.C.C. of which he was the Chairman? This can be explained on the technical plea that the report was made to the Congress Working Committee and cannot directly become the property of the National Development Council. But that is no more than a technical plea. The decision of the NDC to retain the Plan-frame substantially unaltered came as an anti-climax to the initial note of caution and the subsequent demand for expansion.

All these developments show how tentative yet is the Plan-frame. No one is quite clear of the objects of planning. The report of the A.-I.C.C. laid down that in a choice between a high rate of economic advance and a high rate of employment opportunities, the Plan should opt for the latter, showing how much thinking has to advance on this subject. Advocates were not wanting to plead the cause of hand industries who were even willing to countenance economic stagnation if that would help in providing employment. The most remarkable thing is that with the same breath they demanded heavy industries and more production and more welfare. As Minister for Planning, Mr. Nanda has a more practical problem on his hands. Even if the Planning Commission should succeed in containing State Plans within the scope provided by Rs. 2,250 crores of expenditure, the serious problem of limiting the investment needs of the Centre to Rs. 2,050 crores would prove a difficult enough task. It is now realised that transport would need half the amount as a minimum provision and when the reasonable demands of health, education and rehabilitation are also met, the balance available for outlay in industry and mining in the public sector would be too meagre to satisfy present ambitions.

There is no desire to accept these limitations at the moment. It is believed that the Industry Division of the Planning Commission has been engaged in the task of underlining the limitations to the public sector's aspirations. There have been conflicting reports to the effect that this Division has grown so daring as to suggest the staggering of the third steel plant with a view to minimising the demands on technical personnel and the strain on transport. The Ministry of Steel has now denied the report. The truth seems to be that both views are being held. The Ministry of Steel will naturally have no desire to present a reduced target for 1961. At the same time, the Minister has confirmed that the requirements in terms of technicians are so large as to make his task difficult. The Industry Division appears to be saying nothing more than this, and adding that as far as present transport plans go, a third steel plant would add to difficulties. This may seem an accountant's ambition to square the estimates of resources and outlay but it is unlikely to be fulfilled now.

It is not necessary to make final deductions from these inevitably tentative discussions at various levels. But there is no need either to make planning confusing by making impossible assumptions even in the start. For example, is a synthetic oil plant so important as to deserve inclusion among the investments in the public sector when it is admitted that its demands are high in terms of investment? Should the Ministry of Production seek Rs. 50 to Rs. 60 crores merely as a first instalment of investment in coal mining when the miners on the job are hopeful of achieving the target of production with about Rs. 25 crores which they hope to find for themselves? These schemes are in contrast with the wisdom shown in approving extensions to the Tata Steel Plant at a cost of about Rs. 60 crores; these other projects are being deliberately formulated on an ideological basis to extend the public sector, whether such extension can be justified on the basis of priorities or not.

The reason for such contradictions is not that there is lack of understanding but that there is no necessity to fix targets so precisely in advance except, of course, the targets relating to the bold promises of employment, which have political value. The question has been asked whether this tendency has increased of late due to the Prime Minister's preference for the Russian system of planning. At a Press Conference some time ago, Mr. Nehru revealed that in Russia long-period planning is separated from the annual policies needed to implement it by the establishment of two separate bureaux. This has apparently influenced the tendency now to leave precise figures of investment to be determined from time to time. This, of course, is not a Russian invention. Something of this division has existed in India between the Planning Commission and the Government. Under a parliamentary system of Government the agency that should determine day-to-day policies and budgets of expenditure should be the Government of the day. If in Russia a separate agency could work smoothly, it was because these agencies function without regard to the prevailing climate of opinion. On the other hand, the justification for planning in India is that certain long-term plans would always be undertaken, in spite of uncertainties. Priorities would certainly suffer and get distorted if available resources are now allocated to projects prepared purely on ideological grounds, thereby shrinking the plans in those sectors in which more rapid development is now practicable.

LEO.

THE WEEK'S NOTES

THE A-ICC ON GOA

IN LAYING down a clear-cut policy on Goa, the A-ICC was indeed taking a very courageous step, because it goes against the prevailing climate of opinion since the events of August 15. The Prime Minister's speech at Sitapur gave indications of this growing conviction among Congress leaders that mass satyagraha by Indians in Goa might not be a proper course for many reasons. The A-ICC has now expressed its opinion that "any mass entry into Goa in the name of satyagraha or otherwise is undesirable," and that even individual satyagraha by Indian nationals should be avoided. These are unequivocal statements which are in contrast to the very ambiguous stand taken by the Working Committee in July which seemed to permit satyagraha on a limited scale. It seemed at that time that the Congress party and the Government were making concessions to the strong opinions of the opposition groups. They now realise that such concessions can eventually lead the Government away from its own chosen path of peaceful settlement and force stronger courses of action which may become inevitable especially if the Portuguese behave as they did on August 15.

Once again the opposition groups will make capital out of this apparent retreat in Congress policy. If the Lisbon Government also interprets the present step as a sign of failure of India's policy, it may be tempted not to make any attempts to examine the scope for a settlement through negotiation, for which the A-ICC resolution keeps the way open. The initiative must, in any case, come only from third parties at this stage since any compromise formula which can serve as a first step to a peaceful settlement is unlikely to come from either Portugal or New Delhi. Portugal may consider any arrangement which can satisfy India only when the effects of the steps taken by the Government of India begin to tell. It will not be easy to maintain a garrison in Goa and maintain supplies in addition to normal movements which will be hampered by the Government's measures.

POWER NOT SO CONCENTRATED

"CONCENTRATION OF economic power" has been the most handy expression of the critics of the managing agency system who have participated in the protracted parliamentary debate on the Companies Amendment Bill. They have sought to show, firstly, that the problem of concentration of economic power is an evil to be found solely among the managing agents, and secondly, that this power has been widespread and intense in Indian industry. During Tuesday's discussion in Parliament, however, certain facts and figures given by the Finance Minister gave the lie direct to the contentions of the critics. Mr. Deshmukh pointed out that there were certain other systems also in the world which had given rise to concentration of power, and instanced the case of the U.S.A. where, though no managing agency system existed, the Administration had to bring in anti-trust laws to combat concentration of economic power. Therefore, the problem of concentration of such power was one which authority everywhere would have to deal with all the time. He added that the greater the extent of domination of any particular interest, the greater the danger to the common interest, and the Bill on the anvil was, as he said, "the first token of Government's inclination to keep this fundamental thing under observation by limiting the number of managing agencies to 10". The Finance Minister, however, had to admit that the Government's power of approval or notification would always be hanging over the business world like the sword of Damocles. The business man is concerned on how, and in what spirit, the Government would use or misuse this power in actual practice.

The figures given by the Finance Minister in respect of managing agents were really revealing. In respect of 1,720 companies, he said, there were in all about 1,330 managing agents. The number of one-company managing agencies in these 1,720 companies was 1,245. There were 26 managing agents who held two companies each, 36 who held three to five companies, 24 who held five to 10 companies, six who held between 10 and 20 companies, two between 20 and 30 companies, and one "resplendent" managing agent who managed between 30 and 40 companies. This means that the Government is really concerned only with 33 managing agents who have held more than 10 companies. These figures provide a complete refutation of the oft-repeated charge that too many managing agents each possessing too many companies, flourish. As for the fears expressed about the share capitals held by these companies, the Finance Minister observed that, even though some of the managing agents might be holding more than a proportionate share of capital, he did not think that there were grounds to rush to the conclusion that the managing agency system had led to concentration of economic power. It is not understood why the Finance Minister refrained from placing these figures before the House at the time the discussion on the Bill started. Had he done so, the speeches made on the floor of the House would certainly have assumed a straight perspective especially in assessing the powers wielded by managing agents, and enabled the critics of the measure to make a better contribution to the issues involved.

FOR CONCORD WITHIN THE CONGRESS

THE PANT COMMITTEE'S Report on the means of eliminating causes of friction between the Pradesh Congress Organisations and the State administrations does not contain any new solutions to this very old problem. The Conference of Pradesh Congress Committee Presidents and State Chief Ministers has merely endorsed these recommendations for the reason that it could not have done otherwise. Frequent meetings between the local Congress Chiefs and the Chief Ministers of States may make for better understanding but the conditions under which they meet and part, rather than the frequency, will determine the co-ordination. Where there is rivalry for power or in patronage, such meetings would add to friction. If policy is debated in wide gatherings including members outside the legislature, great understanding would be promoted and the leaders of the two wings would be in a position to assess their own party standing and behave accordingly. But, unfortunately, there have been far too many Chief Ministers who arrive, so to say, with a sense of mission which prevents their consulting others in the party entitled to be consulted. On the other hand, party chiefs have sometimes shown themselves to be lacking in fine scruples when it was a question of distributing patronage. It is only when both wings realise the importance of good and honest administration as a necessity as much in the interest of the party as that of the country that greater co-ordination may be possible.

A string of commonplace maxims for the local party leaders will not prove of much assistance. The central authorities must always promote the candidature of persons with tact and good sense to the posts of Chief Ministers, wherever it lies within their power. The problem has become somewhat serious only with the infiltration of

opportunist elements into the Congress fold, and these have no reason to feel afraid because their tactics have, by and large, succeeded. If the local organisations are not packed by interested persons, free choice by the rank and file of its leaders would most likely lead to harmonious working.

THE CONTINENTAL SHELF

THE PRESIDENT'S proclamation of August 30 establishes that India has, and always had, full and exclusive sovereign right over the sea-bed and sub-soil of the Continental Shelf adjoining its territory and beyond its territorial waters. Normally, such rights should have been implied in the rights over territorial waters of each country but the definition of territorial waters is itself in an uncertain state. A traditional limit of three miles has been hitherto accepted but the United States is reported to have extended it to 12 miles and international law is not clear on the subject. India has claimed 15 miles from the coastline as the area within its territorial waters. But a Continental Shelf is a different thing because it denotes, in effect, the extensions of the earth into the seas along the coastline of a country which really form part of the soil over which sovereignty is exercised by a Government. The term Shelf is derived from the nature of this projection of the coast under the shallow seas, until it abruptly gives place to the deep ocean.

The development of modern techniques for the exploitation of the natural resources which are known to exist along this Continental Shelf has given economic importance to such areas which formerly lay unclaimed, except for purposes of fishing and navigation, for which the conception of territorial waters sufficed hitherto. In the United States, oil-bearing shelves exist and have created a serious internal political problem because of the assertion of coastal States' rights: for purposes of international law, President Truman asserted American rights ten years ago. President Rajendra Prasad's proclamation last week invokes this established international practice to the effect that every coastal State has sovereign rights over the sea-bed and subsoil of the Continental Shelf adjoining its territory. One of the minerals, in exploring which there will be great interest, is oil in which Indian resources are poor. But it may take a long time for India to put new technological discoveries into use for the exploitation of such wealth.

POLITICAL DEVELOPMENT IN SOUTH ASIA

IN THE course of a recent speech delivered in Washington at the Conference on South and South-East Asia, Mr. G. L. Mehta, India's Ambassador to the U.S., dwelt at length on the problems of political development in this vast area. Pointing out that countries of this region gained their independence less than a decade ago, Mr. Mehta said that at the outset the "cold war" affected, in many ways, their domestic and political relations. For instance, local Communist parties in some of these countries tried to organise insurgent movements which, however, rebounded on them due to the fact that the Communist parties were believed to be owing loyalty to forces outside their countries and the people were not prepared to jeopardize their hard-won freedom. Economic and social conditions have influenced, and will continue to influence, profoundly political trends in these lands, and the peoples concerned will judge a system of government by the manner and speed with which it removes social and economic disabilities and ensures equality of opportunity. It may, therefore, be, as Mr. Mehta said, that political development in these countries, though based on the democratic principle of the sovereignty of the people, may not necessarily follow the Western conception of democracy, which is essentially a product of the industrial revolution.

It is significant that in Asia, the economy is based primarily on land and the village continues to be a predominant factor in the lives of millions. The introduction of democracy before industrialisation is an important departure from the manner in which democracy has developed in the West. It is, therefore, obvious that Asian countries which have their own traditions and culture and ways of living, radically different from those in the West, will evolve patterns of democracy suited to their environments and conditions. Citing the particular instance of India, the Ambassador said that her Constitution did not recognise any difference on the basis of caste, creed or colour; this, he said, was true also of Burma, Ceylon and Indonesia. In India, there are various opposition parties both in the Central Parliament and the State Legislatures, but he pointed out that, in the elections, the communal parties gave a poor showing as against even the Leftist parties. The Congress Party, which is essentially a secular and democratic organisation, has held power and gained strength since independence which indicates the strong desire of the people to usher in prosperity through peaceful revolution. Indeed, Mr. Mehta was expressing the highest ideals of democracy when he said that "Indian leaders want to lead, not to drive the people, to persuade them and not to coerce, to govern and not to enslave".

THE FAILURE OF A MISSION?

THE TALKS between the Japanese Foreign Minister and U.S. authorities may seem to have yielded results not as satisfactory as the Japanese would like them to be. Mr. Shigemitsu had gone to the United States with the hope of obtaining various concessions. Japan desires the U.S. to withdraw her troops and permit the Japanese army to take over the defence of the island. The United States is of the view that the Japanese defence arrangements, even with their proposed new army and air force, will not be "strategically adequate to meet a military threat". Again, Japan wants a further reduction in her financial contribution towards maintaining American troops on her soil, and though Washington has accepted this in principle, Mr. Shigemitsu has not been able to get any definite promise. In regard to other demands, like the restoration to Japan of the Bonin and Ryuku groups of islands which are still under American occupation, the release of Japanese war criminals and Japan's desire to trade with Red China and the South-East Asian countries, nothing beyond mere assurance that they would be considered at some future date was forthcoming, and no positive agreement could be produced.

Back in Tokyo, Mr. Shigemitsu will have a hard time answering some difficult questions, and suspicions have already arisen in the minds of the Japanese regarding any commitments that he may have made. But it is not that Mr. Shigemitsu is wanting in diplomatic ability or personal popularity in the United States that he has failed to win American support and sympathy for his country's demands. The reasons for the present seeming failure of his mission lie in the Prime Minister, Mr. Hatoyama's not only treading a neutralist course, but trying to normalise relations with Russia and Communist China, which the United States can hardly view with favour. Hope is held in the United States that should there be a change in the policies pursued by the Hatoyama Government, Washington may also change its present cold attitude and meet any reasonable demands sought by Tokyo.

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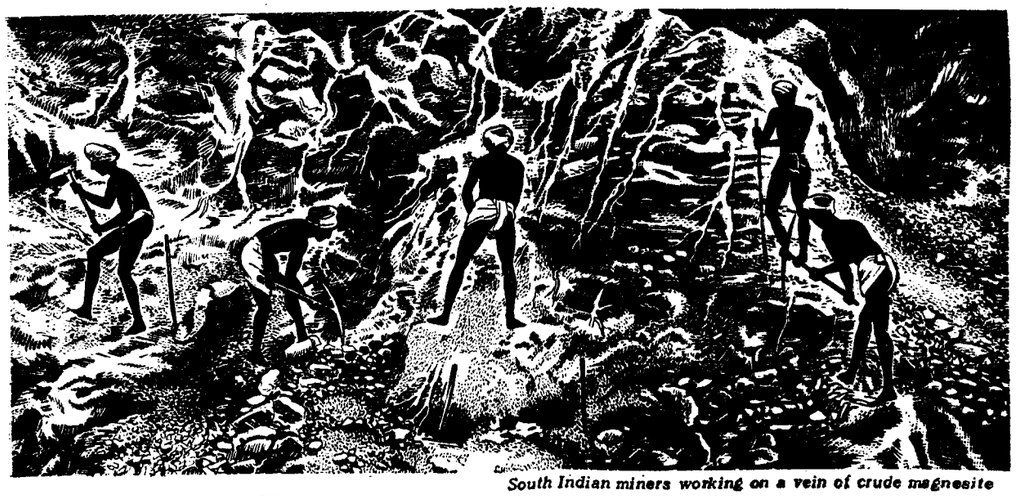
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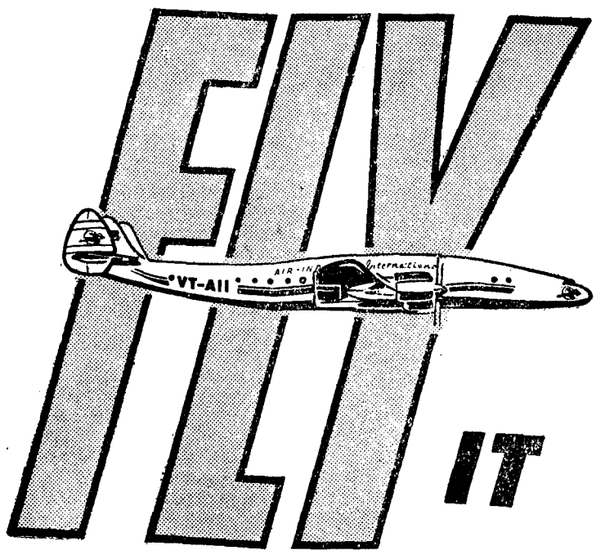
South Indian miners working on a vein of crude magnesite

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A Window on the World

SIKHISTAN IN ANDHRA?

BY

ODYSSEUS

THOUGHTFUL PEOPLE in government circles in New Delhi have been worried by the demand for linguistic states which they envisage as threatening to weaken the Union by encouraging separatist tendencies. They fear that the "national" consciousness of the non-Sanskrit speaking peoples of South India may be promoted, and a South v. North feeling intensified, recalling ominously the struggle between North and South in nineteenth century America.

I do not know what solutions to these problems the leaders of the Congress Party have in mind but I draw their attention to certain possible lines of policy.

Obviously one counter to local separatism is to promote by every feasible means the political and economic control of the Central Government, together with cultural infiltration, by which I mean the promotion of Hindi as the all-India language at the expense of the local languages. I believe that since the unification of the sub-continent by the British in the nineteenth century, there has been a tendency for Southerners to spread northwards rather than for Northerners to penetrate the deep South. Clearly then, this process needs to be reversed and a determined and organised effort made to colonise the South with Northern stalwarts. The key to the problem of imposing tighter central political and economic control lies in spreading the use of Hindi, and the obvious way to do this is to ensure that knowledge of Hindi is essential to open the doors to advancement in government service and in all professions.

Finally, although the ostensible object of these measures is to avoid the separatist tendencies that might follow from the creation of new ethnic and language states, I am not sure that their creation might not produce such an interlacing of frontiers in some areas as would make the new states economically weak and therefore dependent on the centre and therefore open to close central control.

As I speak, I see indignation on all countenances in all parts of the class and my voice is drowned in the rising hubbub of protest: "Fascism! Totalitarianism! The negation of democracy! The cultural enslavement of the South—exactly what every Southerner suspects and fears! The forcible promotion of Hindi is discrimination! If you want to break up the Union, that is the way to do it!"

I agree. I am glad that we are unanimous as to what is democratic and Indian and what is undemocratic and un-Indian, because this ensures that the measures outlined above will not be adopted here.

They have, however, been adopted by a country which we are apt to hold up to our friends in the democratic West as a model of good behaviour—I refer to the U.S.S.R. which follows these un-Indian (but perfectly good Soviet) methods in its efforts to Russify and Sovietise the Central Asian Republics of Kazakhstan, Turkmenistan, Uzbekistan, Tadzhkstan, and Kirgizstan which stretch from the Caspian Sea eastwards along the borders of Iran, Afghanistan, and China, an area of 1,500,000 sq. miles, which is 230,000 sq. miles greater than India's area, or the equivalent of India with Uttar Pradesh and Bombay counted in twice over.

NO NONSENSE FROM REBELS

Soviet policies towards these constituent Socialist Republics are imperialist. Autocratic political and economic controls over weaker peoples have been exercised, as some of us know, by imperialist powers in various countries and in some cases the foreign rulers have granted self-government after a longer or shorter struggle. But what marks out Soviet imperialism from all others is that it prevents its subject peoples from ever discovering what self-government is! This it does by an iron centralisation and control which stands no nonsense from rebels, and shoots down armed and unarmed with absolute impartiality, and by segregating them from all contact with the democratic world whence, as we in India were, they might be contaminated by bourgeois ideas about freedom and constitutional rights.

The Czarist imperialists conquered these Central Asian peoples in the nineteenth century but, by comparison with the Soviets, their rule barely touched the lives of their subjects who were free to live as they liked providing they did not interfere with the white settlers. Which reminds me that we seldom remember that Russians are Europeans. How successful they have been in selling us the idea that they are a sort of Asian elder brother, just across the border. The common people just across the border are indeed our brothers, but their rulers are not! Far be it from me to promote colour feeling, but in a world that is, alas, still extremely conscious of colour, I get tired of hearing the Soviet talk of themselves as though they were in a position to preach to others on this problem. Every time I hear the self-righteous voice of Moscow Radio deploring the white man's treatment of Asians, I remember the 18,000,000 Asians in Central and Eastern Asia under alien Russian domination.

The Czarists did comparatively little to develop this enormous area and it may be readily conceded that substantial material progress is taking place under the Soviets, who make much of this in their propaganda to India and to other backward neighbours who continue to languish under capitalist and bourgeois hangovers. But what is not mentioned in Soviet pamphlets and broadcasts is the imperialism by which this progress is being achieved and its effects on indigenous Asian traditions, ways of life, and languages.

The methods of this imperialism are those that I began by suggesting (with a straight face amidst your rising indignation) should be applied by the Government of India to solve the problems of its relations with Southern India.

COMMUNIST AND CONGRESS DISCIPLINE COMPARED

The present frontiers of the five Central Asian Soviet Republics were drawn up in accordance with local ethnical and language divisions, with the result that the zig-zagging frontiers are uneconomic and Moscow's help and control became inevitable and strong. The proportion of "non-natives" (that is imported Russians) to "natives" in the local administrations is

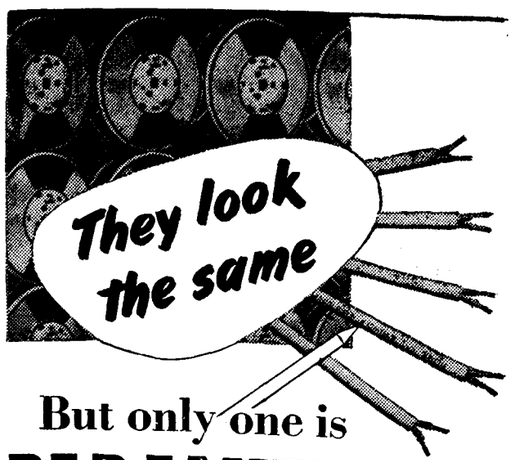
very high (according to evidence adduced by Lt. Colonel Geoffrey Wheeler in an interesting article in the July issue of "International Affairs", on which I am drawing freely) and would cause an explosion if the Government of India tried similarly to draft "reliable" Northerners into the governments of South India and to establish complete political and economic control through the Congress party as Moscow does through the Communist party. Indeed, a comparison between current standards of discipline and obedience to the High Command in the Congress and Communist parties suggests one more point of difference between life in a democracy and life in a "People's democracy".

In India, we believe that religion and traditional culture can co-exist with modern industrial techniques and that cultural development may be left to gather its own force. But the Soviets very soon realised from practical experience that the alien impact to Western industrialism and ideas on indigenous cultures is apt to end in the emergence of nationalism—as it did in India as a whole prior to independence and as, some argue, it is developing local "nationalist" tendencies in post-independence Southern India. To counter this, the Soviets use centrally planned and controlled education and technical training, as well as propaganda against the Islamic religion and against local customs, even going to the length of re-writing local history and allowing only the latest official version to circulate.

But their strongest and most efficient weapon is language. By ensuring that the language of government and of professional education is Russian, they are Russifying the younger generations. In addition, they have initiated a subtle attack on local languages which at first glance is not recognisable for what it is. Soviet apologists often point to the diversity of languages, and local universities, schools, and clubs for regional culture (dances, music etc), as proof of Soviet democracy. They emphasise that the first real provision of grammars and dictionaries of local languages was made not by the slothful and inefficient Czarists but by the Soviets. So they were. And for a very good reason. These grammars Russify the local languages as far as possible in the use of the Cyrillic script, and in grammar, syntax, and vocabulary. The object is to divorce the Central Asians from their links with the rest of Asia, from understanding the Turkic languages which form the common link between all the Turkic peoples inside and outside the Iron Curtain. With every succeeding year, the Turkic speakers in the U.S.S.R. are developing away from their kinsmen in Turkey, Iran, Afghanistan, and China, and in the end their language and ideas will be as Russified as South India would be if the Government of India imposed Hindi-ised grammars in the Devanagri script for the Southern languages.

Finally, the Soviets consolidate their hold by an organised programme of immigration into Central Asia, where the number of Russian settlers is now estimated at 5,000,000. If the Communist party were in power in New Delhi one can see what their solution to the recent effervescence in the Punjab would be. They would organise a mass emigration and set up a Sikhistan in the South to use up superfluous Sikh energies and to keep the South firmly under central control.

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A DELHI DIARY

In spite of the A.-I.C.C. session—and much travel back and forth over and under the Plan-frame—the centre of interest was not on the Plan; it moved away from the Plan this week and settled firmly on Goa. The Prime Minister's statement on Tuesday was in part response to the demand that the A.-I.C.C. Resolution on restraining satyagrahis from entering Goa should be explained. The explanation which came on Tuesday was, perhaps, even more disingenuous than the A.-I.C.C. Resolution. The Government chose its own time and place. The Prime Minister's statement was made in the course of a foreign policy discussion in the Rajya Sabha and not in the Lok Sabha. This was the more interesting because the Opposition in the Lok Sabha was crying out loud for attention. On Monday, Mr. Hiren Mukherji, the effective leader of the Communist Party in the House, had one quite unkind fling at the Government. He reminded the Speaker that he had said that Goa should be discussed in a "calm" atmosphere. According to him, it seemed the atmosphere was now icy cold. I am inclined to believe that the point went home and called forth the Prime Minister's dignified statement though at a different time and place. Thus, the Communist Party still exercises what might be described as remote control!

The feeling that has been given in Delhi by the Prime Minister's opening speech was naturally not the same in different sectors of his audience as well as in different sections outside Parliament. There is no doubt that, notwithstanding the fact that the A.-I.C.C. has passed a Resolution in terms of the Prime Minister's statement, there is not a little restiveness in Congress ranks. Politically, the Government line is unpopular in all areas from which satyagrahis have come and, in particular, in areas in which there has been a loss of life. One has only to see the reception accorded to returning satyagrahi leaders to recognise the extraordinary gust of popular enthusiasm which stands behind the satyagrahi movement. It may be all wrong in the present circumstances and with the policy of the Government of India of promoting world peace. It is still, nevertheless, very attractive as a means of breaking the stalemate. The popular view is that other measures will be ineffective; I sometimes wonder whether the popular view is so obviously wrong.

I have said—and I need to say again—that the Prime Minister is at his best when expounding a view contrary to the popular current. He spoke slowly and deliberately on Tuesday but it was one of the most morally convincing speeches he has ever made. Sometimes, one speaks with a mundane voice and sometimes one speaks with a voice from another world. India's political practice is quite mundane; but this time it had a real ring from another world. I have a profound feeling that the Prime Minister was really drawing on the spirit of peace. I could not help noticing how lonesome leaders in the spiritual sense seem to be. It was noticeable that until he said that "it was natural and inevitable that Goa should become part of the Indian Union" there was no applause at all. At one stage it looked as if even his own party was against him. The atmosphere was definitely cold, though not icy cold in the Hiren Mukherji sense.

THE PROFESSOR RETURNS

I have been at great pains—moving in and out of the seats and symbols of power in New Delhi—to discover what is really happening on the Five-Year Plan. Just last week when Mr. Gulzari Lal Nanda produced his "Basic Considerations", one imagined that this was prompted by back-bench Congress feeling as well as by the critical feeling inside the Planning Commission. In other words, one assumed that the Nanda forces were temporarily in the ascendant versus the Mahalanobian forces which had been scattered far and wide. The proceedings of the A.-I.C.C. showed how mistaken this superficial estimate of the Professor's basic position is at the present time. The strong support given to the Plan-frame and the reiteration of its targets of incomes and investment by the National Development Council certainly make one feel that Mr. Nanda's effort, if designed for a particular short-period purpose, has sadly missed the political mark.

Reflecting (as wise men often do) now upon a result which seems to have been inevitable, one sees that just as on large economic issues, notably the Companies Bill, the political view must always prevail with politicians, so, obviously, must a political view win on the Plan-frame. Which member of the Congress Party wishes to face the electorate with a reduced promise of employment and a reduced level of income and investment? It is not that the Nanda view was wrong or that it was proved or disproved. It was enough that it was unpopular and must lose votes. The point that worries me is not that politicians choose the popular view—conceivably it is their only guide—but how a country can ever get an unpopular policy to work. Peculiarly enough, Mr. Nanda presided himself over his own discomfiture. Nobody seems to have thought this was grotesque.

I make one cynical comment. If decisions in India were capable of being translated into action with the speed and ease with which they are made, the situation would be happy indeed. At the moment, it seems that the events only refuse to oblige. Otherwise, the political consensus would rush us to—nowhere!

AU REVOIR

It is as well that I should show my hand. I, therefore, say Au Revoir for five weeks. This is not because I do not intend to write this Delhi Diary from afar, but because I need to make a strong departure from the local scene. Let me have no secrets from my friends. My wayward course is taking me on a study tour which is to cover the grandeur that was Greece and the glory that was Rome. I promise to dwell on the grandeur that is Greece and I hope that I will have something to say on the glory that is Rome.

ARGUS.

Economic Report from the U. S.

AMERICAN PRIVATE INVESTMENT ABROAD

(By Guy Sims Fitch)

WASHINGTON, Sept. 6.—The United States is becoming a prime recipient as well as a supplier of capital. Ever since World War II, American private investment has helped foster economic recovery and development around the world. But now other countries, particularly those of Western Europe, are resuming their role of capital exporters to the United States.

A new report by the U.S. Department of Commerce reveals that both American investment abroad and investment of other countries in the United States advanced at record rates last year. The character of these investments, moreover, showed some significant changes. Growing economic strength and confidence in many nations lent new impetus to purchases of securities and credits, apart from direct investments in productive enterprises. All told, foreign investment in the United States rose $3,200 million in 1954 to a new high of $26,800 million. Of the sum, $11,000 million was in long-term investments—a gain of $1,800 million during the year. Reflecting the attractiveness of the American market and the increased availability of gold and dollars abroad, new foreign purchases of American corporate stocks hit a post-war high of $135 million.

American private companies and individuals, meanwhile, were increasing their investments abroad by $2,800 million. This brought the total of such investments to $26,600 million, in addition to $15,600 million U.S. Government holdings. Half the private increase was in direct investments, as U.S. businesses continued to expand their foreign enterprises at a rapid rate. United States corporations have invested well over $10,000 million in other countries since the war. The expansion of foreign productive facilities represented by this investment has been of great importance in the improvement of economic conditions abroad. The new industries and increased supplies of essential raw materials fostered by this investment have generated, in turn, increased employment and higher living standards in the host countries. They also have led to greater capacity to produce goods for rising local consumption and for export to the expanding American market. But one of last year's striking developments was the increase of $1,400 million in American purchases of foreign securities and credits. Here is further evidence of the progress being made. For it must be obvious that American investors would not risk their money or their effort in a foreign land if they lacked confidence in its economic or political future.

It is noteworthy that many other nations have begun to relax their post-war restrictions on the entry of American capital and the transfer of earnings by American enterprises. The net result has been a two-way gain, benefiting both the U.S. investors and the host countries. The former have been able to expand their foreign operations, the latter to build up their economies. In line with these developments, earnings of Americans in their investments abroad reached a record $2,500 million in 1954, topping the previous record set in 1951 by $101 million. But this increase in earnings is modest, indeed, when compared with the $5,000 million in new long-term investments Americans have placed abroad since 1951. Not to be overlooked is the fact that American-owned enterprises left $650 million of their 1954 foreign earnings in the host countries, mainly to finance continued expansion. Fully half the American earnings from manufacturing investments abroad—about $350 million—was ploughed back into local economies.

There is every indication that the advance in private investment is continuing. Net U.S. purchases of European securities, for instance, were $100 million in 1954, and $55 million in the first half of 1955. Nearing the operational stage is the International Finance Corporation, projected affiliate of the World Bank which is expected to stimulate further the international flow of private capital. One impressive sign of current trends was the recent formation in the United States of a new private corporation—Appropriately titled International Investors—with the express purpose of investing in selected foreign securities. John C. van Eck, Jr., President of the new company, has pointed out that "many foreign securities offer attractive opportunities for growth. In my opinion we are entering a new era of private foreign investment."

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General Manager.

WORLDGRAM

AGRICULTURE

Agricultural Production in 1954-55: The agricultural year 1954-55, which ended in last June, witnessed an increase both in the acreage and production of cereals in India as compared to 1949-50, the base year for the first Five-Year Plan. What is more, the average yield per acre went up considerably during this period. The total production of cereals during the year was 55.3 million tons representing an increase of 9.3 million tons over that of 1949-50. The area under cereals in 1954-55 was 209 million as against 193.6 million acres in 1950-51. Thus while during these years the acreage increased by 6.9 per cent, production rose by nearly 20.2 per cent.

*

Agricultural Warehousing Corporation: A comprehensive legislation for the development of co-operative credit, marketing, warehousing and processing will be introduced in the Parliament during the current session. In order to encourage warehousing and marketing, the bill will provide for the setting up of an All-India Warehousing Corporation with an authorised capital of Rs. 20 crores and a paid-up capital of Rs. 10 crores, subscribed by the Government, the Reserve Bank, State Governments, Co-operative Societies, etc. The Corporation will set up Central Warehouses at important marketing centres. The Bill will provide for the creation of a National Co-operative Development and Warehousing Fund with an initial contribution of Rs. 5 crores and a minimum recurring annual allotment of Rs. 5 crores for five years. This Fund will be at the disposal of the Board which will guide the activities of the Central and State Warehousing Corporations.

*

Price Support Measures for Rice: As a measure of price support, the State Governments in the rice growing areas would make purchases of coarse rice at selected mandies if the prices of that quality sagged below Rs. 11 per maund. The above decision was arrived at the conference of the State officials which concluded its two-day deliberations in Delhi recently. Purchases would be mainly confined to rail-head mandies. The price for purchases at markets in the interior, if made, would be determined after deduction of transport cost to the nearest rail station. The buying operations would follow the pattern set up earlier by the wheat purchase scheme and would be carried out through purchasing agents appointed by the States or departmentally. The cost of storage, staff and other relevant expenses would be borne by the Central Government in the form of fixed incidental charges.

INDUSTRY

Electricity Output for May: Electricity generation during May 1955, increased in India by 15.4 million kwh (kilowatt hours) as compared to April, 1955. The Ganguwal power house of the Bhakra-Nangal project mainly contributed to this rise. During the month, 691 power stations, including the Ganguwal power house, generated 704 million kwh., of which 569.3 million kwh. were sold to ultimate consumers. The corresponding figures of output and sale for May, 1954, are 631.9 million kwh and 515.4 million kwh respectively and for May, 1939, 218 million kwh., and 180.8 million kwh respectively.

*

Protection to Machine Screw Industry: Government have accepted the Tariff Commission's recommendation that the protection granted to the machine screw industry should be continued for a further period of two years i.e. up to December 31, 1957, and protective duty at the rate of 50 per cent ad valorem or 9 annas per gross, whichever is higher, should be levied on imported machine screws. This protective duty is being brought into force with immediate effect. Government have also accepted certain other ancillary recommendations of the Commission and will take suitable steps to implement them as far as possible.

*

Production of Starch and Glucose: The annual requirements of starch and glucose in India are estimated at 55,000 tons and 5,500 tons (both in liquid and powder form) respectively. The annual indigenous production of starch and glucose, at present, is about 36,900 tons and 215 tons. The present annual rated capacity for the production of starch and glucose was of the order of 80,400 tons and 3,700 tons. Fifteen factories were producing starch and two factories glucose in liquid and powder form.

*

Development of the Rubber Industry: It is reported that the Government had approved two schemes for the development of the rubber industry. One of the schemes was for rendering financial assistance to rubber growers spread over a period of 10 years, for replanting 70,000 acres of old and worn out areas with high yielding varieties of rubber. The other scheme, which was being implemented, was for the establishment of a Rubber Research Institute to provide technical advice and undertake research in rubber cultivation. A scheme for extending the area under rubber cultivation by 10,000 acres was also under consideration.

*

Two New Cement Factories in Andhra: Two new cement factories have been permitted to be established in Andhra, one at Panyam Reserve Forest in Kurnool district and the other at Macherla in Guntur district. This information was given by Shri T. T. Krishnamachari, Minister for Commerce and Industry, in Lok Sabha. Shri Krishnamachari said that the total capital proposed to be invested on those cement factories was Rs. 1 crore.

*

Nepa Newsprint Factory: It is reported the Nepa Newsprint Factory in Madhya Pradesh was now having trial runs and the average daily production might be taken as 15 tons of bleached newsprint. This newsprint, had been despatched to Bombay, Madras, Delhi and Madhya Pradesh. The Central Government had sanctioned so far over Rs. 1.8 crores as loan to the Madhya Pradesh Government for financing the Nepa Project.

TRADE

Export of Onions: The Government of India have reviewed the policy with regard to export of onions and have decided to release quotas for export from the States of Madras, Andhra, Bombay, Mysore, Saurashtra, Bihar, Hyderabad and Pondicherry. The details of the licensing procedure are being notified by the Export Trade Control authorities at the ports concerned.

*

Export of Raw Wool: The Government of India have decided to release a further quantity of wool for export till the end of October, 1955. Allotments will be made only to such parties as have fully shipped their April-September, 1955 quotas. Details of the licensing procedure are being notified by the Export Trade Control authorities at the ports concerned.

Indo-Pakistan Trade Agreement: The Trade Agreement which had been signed by the leaders of the delegations of the Government of India and the Government of Pakistan in Karachi on July 19, 1955, has since been ratified by the two Governments. The Agreement provides for the grant of certain special facilities by the two Governments in respect of border trade between East Bengal on the one hand and the Indian States of West Bengal, Bihar, Assam and Tripura on the other. It has also been agreed that the two Governments will grant import and export licences where necessary to facilitate trade in the following commodities.

1. Exports from India to Pakistan: Coal, stone boulders, hard and soft wood, mica, antimoney, bauxite, barytes (white), betel leaves, books and periodicals (Urdu, Bengali, Arabic and Persian), Ayurvedic and Unani medicines, lime and limestone, biri and hucca tobacco, biri leaves, mill board and straw board, chemicals and pharmaceuticals, spices and cinema films.
2. Imports into India from Pakistan: Raw jute, hides and skins, betel leaves, fish, poultry and eggs, dandasa, betel nuts, saltpetre, books and periodicals (Urdu, Bengali, Arabic and Persian), raw cotton, rock salt and cinema films.

*

Foreign Sea and Air-Borne Trade of India in July 1955: The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during July 1955, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows:

	Rs. in lakhs
Merchandise, excluding transit trade of Pakistan but including that of other land frontier countries: Exports ..	5,100
Re-exports (transit trade—Rs. 1 lakh) ..	50
Imports (transit trade—Rs. 2 lakhs) ..	4,999
Total trade	10,149
Treasures: Export of currency notes ..	30
Exports of others	Nil
Import of gold	1
Imports of currency notes	76
Import of others	Nil

Balance of trade:
The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures and to the exclusion of figures for transit trade, the total value of exports (including re-exports) of merchandise, gold and silver exceeded the imports by Rs. 151 lakhs.

*

Trade Delegation to West Asia: The Minister for Commerce, Sri D. P. Karmarkar laid a statement on the table of the Lok Sabha recently. The statement contained the main recommendations of the Trade delegation which was sent to the West Asian countries. The main recommendations are as follows:

1. In respect of India's traditional exports, such as, tea, jute manufactures and cotton piecegoods, complaints in regard to quality, deliveries, etc., should be obviated by Indian exporters.
2. A market can be built up for non-traditional goods including engineering products and a wide variety of consumer goods by Indian exporters and manufacturers by sending out representatives from time to time to study the markets at first hand. Also, publicity should be given to India's ability to supply these products by opening show-rooms, holding exhibitions, etc.
3. Possibilities of opening branches of Indian banks and insurance firms in the West Asian countries should be investigated.
4. An endeavour should be made to build up an export trade in Indian films to West Asia.
5. With a view to further improving India's trade, the possibility of reducing ocean freight rates from India to the Persian Gulf ports should be studied.

FINANCE

Entertainment Tax Legislation in Ajmer: The President has assented to the Ajmer Entertainments Tax (Amendment) Bill, 1955. The Bill seeks to abolish entertainment tax in all cases where the rates of admission to an entertainment do not exceed one anna and nine pies. It also empowers the State Government to make rules regarding the refund of the tax which may have been erroneously paid or paid in excess.

*

Andhra Adopts Central Estate Duty Act: The Estate Duty Act has become operative in Andhra State in respect of agricultural lands with effect from July 7, 1955. The Government of Andhra has passed the necessary legislation under Article 252(1) of the Constitution authorising the Centre to regulate the levy of estate duty on agricultural land in that State. Fourteen Part 'A' and 'B' States, including Andhra, have so far adopted the Central Estate Duty Act, 1953, in respect of agricultural lands. Other States who have adopted the Act are: Assam, Bihar, Bombay, Madhya Pradesh, Madras, Orissa, Punjab, Uttar Pradesh, Madhya Bharat, Hyderabad, Rajasthan, Saurashtra and Travancore-Cochin. The Act has already been adopted in all Part 'C' States.

*

Concessions in Excise Duty on Tobacco: Since January 1954 the Government of India have announced the following concessions in the matter of the Central excise duty on tobacco:

(1) On the 10th April, 1954, the following concessions were announced:
   (a) A reduction in the rate of duty on low grades of flue-cured virginia tobacco, namely, LMG, B, DB, DG, PL, FS, FS-2 of the pre-1953-54 crop seasons from Re. 1 a lb. to |-9|- a lb.
   (b) On tobacco other than flue-cured tobacco of the pre-1953-54 crop seasons which had been bonded before the 1st January, 1954, a 25 per cent reduction in the prescribed rates.

(2) On the 5th February, 1955 a reduction of -|1|- per lb. was announced in respect of non-biri varieties of non-flue-cured unmanufactured tobacco pertaining to the 1953-54 crop seasons and lying with the curers on that date.

(3) On the 28th July, 1955, a further reduction of 25 per cent in the excise duty was announced for biri tobacco which was eligible for the earlier concession announced on the 10th April, 1954, and mentioned in (1)(b) above.

*

Linking the Northern and Southern Metre-Gauge Systems: The Rs. 9 crores Khandwa-Hingoli railway line in Madhya Pradesh when ready will provide the vital missing link between the northern and southern metre-gauge systems in India, consisting of 10,113 and 4,933 miles respectively. The new line will eliminate transhipment, enabling free movement of traffic between the southern and the northern metre-gauge systems. It will open up fresh areas in Madhya Pradesh and to a small extent in Hyderabad, passing through fertile regions producing cotton, oilseeds, foodgrains etc., serving important markets and trade centres like Akola, Akot, Basim and Hingoli. Last year's allotment of Rs. 25,00,000 for the project has been fully expended, and six times this amount has been provided in the current year's budget.

NEWS IN BRIEF

INDIAN

The increase in the country's food production due to the Grow-More-Food scheme during 1953-54 was of the order of 7,21,569 tons over the base figure of 1952-53. The amount spent on the Grow-More-Food schemes during 1953-54 was Rs. 20,29,17,000.

*

Till the end of March 1955, the number of community radio receiver sets installed in rural areas was 1,220. But the requirements of State Governments for 1955-56 as intimated so far, have risen to 13,340 sets.

*

The first locomotive produced at the Chittaranjan Locomotive Works costed Rs. 7.13 lakhs, while the last locomotive produced there has cost Rs. 4.81 lakhs.

*

Sleeping accommodation will be provided on India's first corridor train exclusively for third class passengers which will run between Delhi and Calcutta from October 2, 1955.

*

The Community Project Administration has allotted 116 new National Extension Service Blocks to 12 States in which the work will be taken up on October 2, 1955.

*

The Ministry of Education has decided to institute 30 National Fellowships of the value of Rs. 400 per month during the current year with a view to encouraging doctoral research work in science/technology in universities and institutions of advanced study which offer the required facilities.

*

Nineteen new railway lines totalling 764.42 route miles have been completed and opened to traffic since the end of the last world war. Another eight new lines are at present under construction with a total route mileage of 455.

*

A scheme for organising two centres, one at Kanpur (U.P.) and the other at Tindivanam (Madras), for training research workers on oilseeds crops, has been approved by the Government of India.

*

The Government of India have decided to set up a division in the National small industries corporation to undertake a survey of marketing activities for the products of small-scale industries.

*

The proposed scheme for the expansion of the Naval dockyard in Bombay is expected to be completed in 15 years. About 10 per cent of the work scheduled under contract No. 1 had been completed so far.

*

There are 331 co-operative marketing societies in Bombay State having membership of about 1,50,00,000 and working capital of over Rs. 443 lakhs.

*

A sum of Rs. 340,76,619 was allotted to the various State Governments during 1954-55 towards relieving educated unemployed.

FOREIGN

Denmark has ratified an agreement, sponsored by UNESCO exempting educational films, sound recording, maps and posters from customs duties.

*

Switzerland has ratified an agreement sponsored by ILO establishing uniform working conditions for boatmen on the Rhine river.

*

Euthiopia has nearly tripled its coffee exports within 10 years from 14,000 tons to more than 40,000 tons—according to the latest issue of Memo issued by the Near East office of F.A.O.

*

The U.N. Security Council at a private meeting on August 11, unanimously adopted its draft report to the forthcoming session of the General Assembly, which begins on September 20.

*

Some 17,000,000 children and mothers received direct aid in the first half of 1955 from health and nutrition programmes assisted by the United Nations Children's Fund (UNICEF).

*

The first six months of this year saw an increase of Yugoslav exports to the markets of Asia, Africa, North and South America. In this period Asian countries received 5.2 per cent of the exports, African 2.6 per cent, the North American countries 11.2 per cent and South American 5.6 per cent.

*

The workers of the Petroleum Institute, at Krosno produced in honour of Poland's National Day, several dozen Kilogrammes of crystalline iodine.

*

A protocol to a trade agreement regulating trade exchange between Poland and Norway until April 30, 1956 has been initiated in Oslo. Among the most important items of Polish exports mentioned in the protocol are coal, cement, sugar, textiles and chemicals.

*

Korea has become a member of the International Monetary Fund and the International Bank for Reconstruction and Development. The quota of Korea in the International Monetary Fund is $12,500,000 and its subscription to the capital stock of the Bank is 125 shares with a total par value of $12,500,000.

*

The Burmese Government has announced its willingness to assist local and foreign investors who wish to develop the rubber industry in Burma. It will guarantee not to nationalise any such enterprise for at least 30 years.

*

The Pakistan Government has increased, with effect from August 22, the duty on raw jute from Rs. 3 to Rs. 4 per maund and on raw cotton from Rs. 90 to Rs. 135 per bale. The duties on jute cuttings and desi cotton are, however, unchanged.

*

The Export-Import Bank has authorised a credit of $14 million to the Persian Government for the purchase of diesel electric locomotives and equipment.

*

The International Co-operation Administration, U.S. has announced a new programme under which professional designing to increase sales will be brought directly to craftsmen and small factories in Jordan, Lebanan, Turkey, Israel and India.

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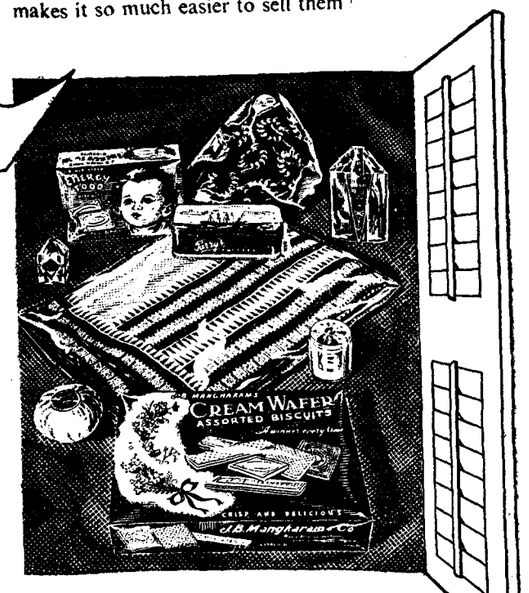
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Special Articles

RESOURCES FOR THE SECOND PLAN

(A CRITIQUE AND A SUGGESTION)

IN the issue of 'The Eastern Economist' dated August 12, 1955, a Special Article "Financing the Second Plan" indicated the total order of capital formation in the second Plan period on the basis of the national income figures presented in the draft plan-frame when a marginal rate of saving was assumed first at 30, and then at 15 per cent. It then appeared that the total capital formation with a marginal rate of saving of 15 per cent was only Rs. 4800 crores, showing a serious shortage. If development investment is Rs. 5600 crores and routine normal investment Rs. 1500 crores, the total shortfall would appear to be of the order of Rs. 2300 crores.

This is believed to be too pessimistic a conclusion. One reason for this is that the Ratio of the plan-frame at 1.93 is too high. The other, and for this purpose more important issue, is that the targets of income are too low.

The income figures of the plan-frame have been arrived at arbitrarily apparently with no larger purpose than to have a total income rise of 25 per cent. Investment on the whole Plan was then worked backwards to derive the ratio of 1.93 at each stage. If the ratio is in error, then a given investment might go further. But if the income is in error, saving possibilities may be better. This latter possibility needs consideration.

The manner in which real income will rise cannot at this stage be precisely calculated. There is, however, prima facie evidence that the average rate of growth of the Indian economy has been about 4 per cent in each of the last two years and that it is still rising. An acceleration in the rate of rise of half per cent per year would appear to be consistent with the current pattern of development.

In the table alongside the rate of real national income is assumed to rise at 4 per cent in 1955-56 beyond the figure of Rs. 10,348 crores in 1954-55. Thereafter a rise of half per cent per year is taken until a rate of 6½ per cent is reached in 1960-61. These are possible rates of rise. It has been ascertained by the application of Input—Output analysis with the Input-Output Table of the Indian Institute of Public Opinion, and by separate estimation of the stream of goods and services, that these figures are within the range of possibility. The table shows in column 2 what this means in real income terms.

The conclusions to be drawn from this discussion are heartening. They indicate that with a moderate rise in the rate of saving from 7.4 per cent to only 9.2 per cent of income, the total capital formation in this period might reach Rs. 5,315 crores.

This sum would not, indeed, finance the whole of current investment, seeing that development expenditure only is intended to be kept at Rs. 5,600 crores. If one made somewhat more generous assumptions in regard to the initial rate of capital formation and assumed that the marginal rate of saving went up from 15 to 20 per cent, rising 1 per cent a year, the corresponding figure would be of the order of Rs. 5,550 crores. This would suggest that a Plan which provided a total investment of Rs. 5,600 crores, would not tend to be violently inflationary if the components of real income shown in the second column materialise.

It would look as though it would be much more fruitful to concentrate on the creation of the targets of real income (and to avoid nice disputes of the rate of capital formation) than to depend on the rigging of the rate of saving by compulsory methods which are likely to be detrimental to income.

TABLE I.

Year	Real National Income at 1948-49 prices	I	Capital Formation	I'	I'/I × 100
	(Rs. in Crores)				
1955-56	10,762	—	794 (7.4%)	—	15
1956-57	11,246	484	867 (7.7%)	73	15
1957-58	11,808	562	951 (8.1%)	84	15
1958-59	12,457	649	1048 (8.4%)	97	15
1959-60	13,204	747	1160 (8.8%)	112	15
1960-61	14,062	858	1289 (9.2%)	129	15
			5315		

TABLE II.

1955-56	10,762	—	794 (7.4%)	—	15
1956-57	11,246	484	871 (7.7%)	77	16
1957-58	11,808	562	967 (8.2%)	96	17
1958-59	12,457	649	1084 (8.7%)	117	18
1959-60	13,204	747	1226 (9.3%)	142	19
1960-61	14,062	858	1398 (9.9%)	172	20
			5546		

RELATIVE RATES OF GROWTH IN TWO PLANS

By
PROF. HANNAN EZEKIEL

IT has been claimed on behalf of the Draft Plan-frame that it sets out a bold plan for the second five-year period, in contrast with the first Plan which was relatively modest. Prof. Mahalanobis himself points out that in the context of the difficulties that existed at the beginning of the first Plan, "it is understandable that the targets of the first Five-Year Plan were kept modest." The implication is obviously that the second Plan need not be as modest as the first one was and that it must aim at achieving a much more rapid rate of progress.

That the second Plan is in fact a bold one is sought to be proved on the basis of two criteria: (1) that it proposes to double the rate of increase in the national income achieved during the first Plan, and (2) that it will solve the problem of unemployment or at any rate bring it under control by providing additional employment to the extent of 110 lakhs. Whether the Plan can in fact provide this volume of employment may be questioned if a careful examination of the Plan-frame is made. But, I do not propose to examine that question here. It is with the first criterion that I propose to deal.

Not many people are aware that in calculating the rate of increase in the first Plan to be taken for purposes of comparison, a reduction has been made in actual achievements to allow for the effects of the favourable monsoons in 1952-53 and 1953-54, though it must be added that this is clearly stated in the Plan-frame. Two different sets of figures of the rate of growth of national income in the first Plan, therefore, emerge from the calculations made.

In all cases, 1950-51 with a national income of Rs. 91.9 crores is taken as the base year. One set of estimates is based on the actual achievements up to 1953-54 and the other on a reduced figure that results from a scaling down of the actuals to allow for the effects of the favourable monsoons. In both cases, however, it is assumed, that the increases in the last two years of the Plan will be at the same rate as the scaled down figure for the earlier years. This cannot be conceded as valid if it is true that the tempo of the Plan has been rising throughout the period of the Plan and a considerable proportion of the investments is likely to fructify only during these two years. Apart from this, even if the rate of growth is calculated in each case not as a simple average for any given period over the base year for that period but as a compound rate, the results for the last two years would still be higher than the figures taken by Prof. Mahalanobis. In other words, conceding the allowance for the favourable monsoon and conceding further that the growth of the earlier years would be barely maintained at a compound rate, the set of figures that is obtained should still show a larger increase over the five-year period than Prof. Mahalanobis has allowed.

The estimate of the actual national income that is likely to be reached in 1955-56 as given in Table 7 in the draft Plan-frame is Rs. 180 abja in comparison with the national income for the pre-Plan year 1950-51 which is taken as the base year, of Rs. 91.9 abja, an increase of 16.1 abja in five years. This works out to an increase of 17.5 per cent over the period of the Plan in comparison with the base year figure.

It is here that attention must be drawn to an elementary arithmetical error in the Plan-frame which vitiates all the figures of national income and rate of growth assumed for the first Five-Year Plan, even that set of figures which is claimed to be the actual that will be reached in 1955-56.

The Plan-frame states, "the net domestic output at 1952-53 prices had increased from Rs. 91.0 abja in 1950-51 (the base year of the first Five-Year Plan) to about Rs. 103.1 abja (provisional estimate) in 1953-54. This represents an increase of Rs. 11.2 abja or 12.2 per cent in 4 years or just over 3 per cent per year." The increase that has taken place between 1950-51 and 1953-54 is obviously an increase in 3 years and not in 4 as has been stated by Prof. Mahalanobis. Correcting for this simple arithmetical error, the simple rate of increase for the three years works out to just over 4 per cent per annum and not 3 per cent as has been stated. Speaking of the favourable monsoons and other factors, the Plan-frame says, "if allowance is made for these factors the real increase would be probably about 10 per cent in 4 years." On this basis, Prof. Mahalanobis calculates the simple annual rate of increase to be 2.5 per cent per annum, but since the divisor in this case should be 3 and not 4, the scaled-down annual rate of increase in the first three years works out correctly at 3.33 per cent per annum instead of the figure assumed.

Various figures of the rate of growth of national income emerge from this discussion if different assumptions are made. These fall into two groups. The first group will be attempts to estimate the actual increase in 1955-56 over 1950-51, taking the actual increase in the first three years and adding to it some assumed but actually expected rate of growth in the last two years of the Plan. The second will be attempts to scale down the rate of growth in the first three years and add to it again some assumed rate of growth in the last two to get a figure which should be considered comparable to the targets for the second Plan. In each case, the absolute increase and percentage increase in five years and the simple annual percentage rate of increase is calculated. The ratio of the assumed percentage increase in the second Plan over the five-year period (which is calculated from Table 7 in the draft Plan-frame as 26.35) to the results of the above calculations on different assumptions for the five years of the first Plan is also calculated. This may be called "the index of the boldness of the second Plan". The complication introduced by trying to calculate a compound rate of growth has been avoided. The various alternatives are shown below:

I. Since this group attempts to obtain a figure of the actual increase by 1955-56, it takes the Rs. 11.2 abja increase in the first three years as given,

(a) If the same rate of growth as in the first three years at 4.07 per cent per annum is assumed for the last two, the increase in five years works out to Rs. 18.66 abja or 20.30 per cent. The annual rate is 4.06 per cent and the index of boldness is 1.32.

(b) If the corrected scaled-down rate of growth of 3.33 per cent per annum is assumed for the last two years also, the increase in five years works out to Rs. 17.2 abja or 18.72 per cent. The annual rate is 3.74 per cent and the index of boldness is 1.43.

(c) If the uncorrected scaled-down rate is assumed for the last two years, the increase in five years comes to Rs. 15.8 abja or 17.20 per cent. This is what Prof. Mahalanobis's figure should have been in view of the arithmetical error but his estimate of the actual increases is slightly different at Rs. 16.1 abja. The annual rate on my assumption in this case works out to 3.44 per cent and the index of boldness is 1.56.

II. In this group, a scaled-down rate is assumed for the first three years as well, but this may be the corrected or the uncorrected (Mahalanobis) figure. Again, for the last two years, the corrected or uncorrected scaled-down figure or the actual rate achieved in the first three years, or an intermediate rate higher than the corrected scaled-down rate of the first three years, but lower than the actual may be applied. The relevant figures are:

(1) The uncorrected scaled-down rate of 2.5 per cent per annum applied over the entire period gives an increase in five years of Rs. 11.5 abja or 12.5 per cent. The annual rate is 2.5 per cent and the index of boldness is 2.15. These are the figures used by Prof. Mahalanobis as providing a valid comparison between the second and first Plan rates of growth.

(2) The corrected scaled-down rate of 3.33 per cent applied over the entire period gives an increase in five years of Rs. 15.3 abja or 16.65 per cent. The annual rate is 3.33 per cent and the index of boldness is 1.63.

(3) The corrected scaled-down rate of 3.33 per cent applied in the first three years and the actual rate in the last two gives an increase in five years of Rs. 17.78 abja or 18.26 per cent. The annual rate is 3.65 per cent and the index of boldness is 1.47.

(4) The uncorrected scaled-down rate of 3.33 per cent applied to the first three years and a rate during the last two years assumed somewhat higher at 3.75 per cent, which would still be lower than the actual achieved in the first three years, gives an increase of Rs. 16.50 abja or 18.0 per cent. The annual rate is 3.60 per cent and the index of boldness is 1.49.

It is the last of these which would be the most reasonable to use for the index of boldness and not the one used by Prof. Mahalanobis. It should be, therefore, 1.49 and not 2.15. But even assuming that the rate in the last two years does not rise above the scaled-down corrected rate of the first three years, the index would be only 1.63. Why this should be so low is a different point over which it would be worth while to ponder. But it is a question into which I do not go here. It is enough to show that the claim of Prof. Mahalanobis that the second Plan as outlined by him in the draft Plan-frame doubles the rate of growth of national income of the first Plan is not really justified.



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The Business World

A COUNSEL OF REALISM

By
CROESUS

IN the dynamic world we live in, everything changes, including concepts about socialism and capitalism. It is only jaundiced eyes which refuse to believe that capitalism today is a greatly changed capitalism compared to the capitalism of the 19th and early 20th century. But as all are entitled to their views under our Sovereign Democratic Republic, the only way to remove the prejudice that persists in some circles against even the enlightened capitalism of today is for our leading capitalists to declare that they are not only proud of being capitalists (in the enlightened sense of that term) but are also earnest about making others join and swell their ranks. I am glad that this is beginning to be done. Only a few weeks ago, Mr. G. D. Birla told a Bombay audience that he wanted everyone to become a capitalist in order that the country should progress economically. Last week, M. J. R. D. Tata, Chairman of the Tata Iron and Steel Co. Ltd., presiding over that Company's annual general meeting, which is always an event of importance, pointed out how modern capitalism has changed and changed so much, indeed, that it can well find a respectable place even in a Welfare State. This is to say that capitalism has enough imagination and vitality to adapt itself to the changing reqirements of the times.

Mr. Tata did well too to stress the point that the profit motive is not something to be ashamed of. "In my view," he said, "there is nothing morally wrong in the yearning of individuals to better their own and their families' living conditions and to seek material reward and financial security in return for hard and productive effort". At the same time, he alluded to a remarkable feature of the subject of rewards and incentives that seems to have conveniently escaped the attention of some people and, maybe, even of our vigilant constitutional pundits, who do not seem to have yet discovered that this might, in fact, tantamount to a form of discrimination. It is that, whereas material incentives and rewards are regarded as unobjectionable in the case of the peasant and the worker, they are sought to be withheld from the professional man, the administrator, the manager, the entrepreneur and the investor; instead, the latter are asked to be content with merely serving the community with a missionary zeal. This is not so much a question of how many can do it as of how many will really do it. As Mr. Tata observed, "it is unrealistic to believe that more than a minute percentage of the people of the country in any walk of life can be expected wholly to eschew personal interests. For the vast majority of the people, the removal of material incentives and rewards will merely act as a disincentive and lead to a reduction of effort and efficiency and to an increasing tendency to let the other fellow do the job". This may seem "of the earth, earthy", but it is facing the facts all right and, so long as we live on this "terra firma", it behoves us all to be "of the earth earthy".

In the course of his address, Mr. Tata referred with quite some concern, I feel—to the apparently growing trend towards a comprehensive form of socialism as distinct from the more empirical form favoured in Britain or the Scandinavian countries. To some extent, India may be said to be following these countries. Personally, however, I am tempted to assert that, as, in regard to our foreign policy, in respect of our economic policy also, we are evolving a unique policy of our own, which, for want of a better term in my limited vocabulary, I would call "socio-capitalism" or perhaps better still "welfare capitalism". It is my conviction that, besides being our own, this policy has already begun to yield results. To think of breaking away from it at this stage, therefore, is to me to miss a great opportunity that has come our way to make a contribution of our own to economic ideology. For this reason, I am bound to find myself in entire agreement with the view of the Tisco chief that the success or failure of our plans will largely depend on the choice of the means and methods of achieving an objective. To quote his, "in our hurry and impatience to get quick results, let us beware of the temptation to jettison economic systems or working philosophies based on human nature which have stood the test of time."

These observations of Mr. Tata have especial significance in the context of the ambitious plans that we have embarked upon. The voluntary enterprise of our people, individually and in groups, has a great part to play in ensuring the success of these plans. Hence it is that he chose to dwell on the implications of the draft frame work of the second Five-Year Plan. He did not question the necessity for bold planning in the prevailing circumstances, nor could he afford to do it especially after having been the co-author of the first and no less ambitious economic plan for India, but he noted that some of the proposals were such as to raise doubts in one's mind. For instance, he asked: "Could the proposed targets be attained without recourse to a much higher degree of deficit financing than at present contemplated, with the consequent risk of inflation which would deprive the mass of the people of the fruits of their toil? Would not the large-scale development of heavy industry at one and and cottage industries at the other, without an adequate development at the same time of secondary consumers' goods industries in between, lead to a lop-sided pattern of development which might result in inflation, scarcity of consumer goods, and also in a substantial part of the capital investment in heavy industry remaining unproductive for some years for want of a market? Has the argument of secondary industries at a later stage any validity, considering that, owing to the continuing increase in population amongst other factors, there was bound to be a large amount of unemployment at the end of the second Five-Year Plan, and the same arguments will inevitably be used then as now for restricting the development of manufacturing industries? Would the consumer in urban and industrial areas be willing to pay the necessarily higher prices of goods produced by household and cottage industries, even when the quality was satisfactory? Finally, was it realistic to assume that household industries could be developed fast enough to provide all the additional consumer goods necessary to meet the increased demand?

These are not the carping criticisms of an unhelpful critic but the genuine doubts of a farsighted and constructive industrialist. The public has a right to expect convincing answers to all these posers from the Planning Commission.

PROGRESS OF HANDLOOM INDUSTRY

By

CROESUS

IN the context of the role that has been assigned to the handloom industry under the Draft Framework of the second Five-Year Plan, the second Annual Report of the All-India Handloom Board (which actually covers fifteen months from January 1, 1954 to March 31, 1955) is of more than usual significance. The concluding remarks of the Report no doubt make encouraging reading. These are the remarks: "Production of handloom cloth increased during the period under review and sales kept pace with the increased production. The earnings of weavers have, on the whole, increased and stocks of cloth which had accumulated during the period 1952-53 have been cleared. On the whole, the period under review registered perceptible progress". After indicating the improvement, the Report states, one notices, that there is no room for complacency, however, as "not only has the improved situation to be maintained but it has also to be developed still further". The Report ends by saying that the All-India Board will have to address itself to this task of consolidating and developing the industry.

A closer study of the Report, however, cannot fail to occasion concern in the minds of those who honestly want the Indian handloom industry to progress and to make its expected contribution. Thus, even in regard to production, it is found that the handlooms produced only 1,318.21 million yards in the year 1954. On the basis of the figures of production for the first quarter of the current year, one may assume that the production this year would go up to 1,400 million yards. This figure, incidentally, is the figure assumed as the then level of production by the Kanungo Committee which reported in September 1954. On the other hand, production by powerlooms even for the year in which the Kanungo Committee reported was in excess of the level assumed by the Committee, being 242.83 million yards as compared to 200 million yards, while, for the current year, the production of this sector would be safely estimated to exceed 250 million yards on the basis of the figures available for the first quarter of the year.

It is interesting to study the progress made by the industry since the All-India Handloom Board was inaugurated on December 13, 1952. In fairness to the Board, it must be conceded that the production of both powerloom and handloom cloth has steadily increased as the following table of production for the two complete years 1953 and 1954 and for the first quarter of 1955, shows:

Year	Powerloom	Handloom
		(In million yards)
1953	221.06(18.42)	1,200.02(100.00)
1954	242.83(20.24)	1,318.21(109.65)
1955(Jan.-March)	64.69(21.56)	351.23(117.08)

Note: Figures in brackets represent monthly averages.

It would appear that, had the expenditure on handloom development schemes been on the scale sanctioned by the Government, the industry would probably have shown an even more impressive record on the production front. But the fact that neither the loans nor, for that matter, even the grants sanctioned could be expended fully is a clear indication of the enormous leeway, in the matter of setting up the requisite organisation, that has yet to be covered.

Even in regard to exports, a sphere in which considerable progress in setting up the paraphernalia required can be said to have been completed, the results do not seem to have come up to expectation. Indeed, according to the Report itself, "it was hoped that the record figures attained during the calendar year 1953, could be maintained in the year 1954 as well. Actually, however, only 56.07 million yards were exported, as against 62.45 million yards in 1953." From the point of view of foreign exchange earning, the performance on the export front was, in fact, the lowest for the three years ended December, 1954. Only Rs. 8.2 crores were realised by the export of handloom cloth in 1954 as against Rs. 14.7 crores in 1953 and Rs. 9.2 crores in the year 1952, when the total quantity of handloom cloth exported was actually lower at 53.9 million yards. The Report, however, gives a number of reasons for the fall in exports, such as (i) increasing competition from other exporting countries, notably Japan; (ii) restrictions or prohibitions imposed by foreign countries on the import of Indian handloom fabrics; (iii) absence of quality standards; (iv) failure to adhere strictly to delivery dates, and (v) faulty and unattractive packing.

The measures proposed to be taken by the Handloom Board to get over the last three difficulties may, be expected to improve the position somewhat. But, as the Report itself admits, the problem of facing increasing competition from other exporting countries, notably Japan, and the question of restrictions or prohibitions by foreign countries on the import of Indian handloom fabrics are not so easy of solution. In this connection, fact to which pointed attention has been drawn in the Report itself, namely, that, out of a decline of 5.73 million yards between the total exports in 1953 and 1954, as much as 5.07 million yards were in respect of Ceylon, is particularly revealing. Similarly, the drastic reduction in the import of 'lungis' by Burma to encourage the indigenous handloom industry of that country cannot possibly be helped.

One gets the impression—at least I do—from the Report that things have still not begun to move briskly, notwithstanding every conceivable encouragement that the Government seems prepared to extend, and has been extending, to the industry, such as assured supply of yarn, credit and marketing facilities and even provision of amenities to handloom weavers such as housing. A rather depressing feature of the whole business is that every additional concession made by the Government has only led to further requests for concession without there being any positive evidence to justify the grant of these concessions. It should not be forgotten that, in most cases, the reliefs provided are specifically intended to be temporary and have been declared as such.

The Government and the Board have pinned their faith on the co-operative agency for the salvation of the industry and the results of the experimental measure at converting the old handloom factories into industrial co-operatives are still awaited.

The Report is comprehensive enough. Still one would have appreciated some more information about sales of handloom cloth over a period and sales of handloom cloth during the first All-India Handloom Week. It is no use for the Board to pat itself on its back by saying that the sales of the handloom cloth during the second All-India Handloom Week amounted to the substantial figure of 64.83 lakh yards valued at Rs. 66.18 lakh without giving the corresponding figures for the sales during the first Handloom Week. It is also a matter for consideration as to what the total sales will be like when the ordinary and the special reliefs, which, again, are stated to be only of a temporary duration, are no longer there.

I am tempted to draw the attention of readers here to an interesting sidelight that the Report throws. It is that it was in the year 1954, which was the first year after the complete withdrawal of controls on the price and distribution of yarn, that deliveries of yarn improved considerably, there being no complaints from any quarter about non-availability of yarn or unreasonable prices. It is also after the withdrawal of controls that the Government decided to issue licences for export, albeit for a small quantity of yarn, and it is significant too that mills increased their packings of free yarn thereafter. According to the Report, the credit for this goes to the policy of quota allotment which restricted the quotas only to those mills that delivered more than the obligations due under Clause 12 of the Cotton Textile (Control) Order. Even after conceding this, I feel, the fact stands out that, in the absence of avoidable and inconvenient restrictions, the mill industry in India is not only capable of providing yarn for all its own requirements but also for those of the handloom industry, and for limited exports as well.

In passing, I should add that Mr. V. Nanjappa, the present Chairman of the Board, cannot, in fairness, be blamed for anything I have said about the Board. He only took charge on February 24 last, after which I find, there was no meeting either of the All-India Handloom Board or of the Standing Committee appointed by that Board. During the space of but five weeks, that is till the end of the period of the report, he could hardly have had time even to familiarise himself with the work of the Board. But I have no doubt that, with the energy, drive and imagination which Mr. Nanjappa possesses, and which he may be expected to bring to bear on this work, the next annual record of the All-India Handloom Board will have some spectacular progress to report.

ONE MAN BUYING SPREE

By

CROESUS

LAST Thursday's (September 1) settlement on Bombay Stock Exchange resulted in very heavy deliveries of shares, especially leading speculative scrips. This would ordinarily be regarded as a healthy feature if it reflected a preponderance of investors. But, judging from what stock brokers aver, one gets the impression that the market has not turned healthy, but is, in fact, heading towards a crisis. For it is alleged that genuine investment demand has practically dried up and that only a few speculators—if not one big operator actually—are busy trying to corner some shares. Those who have been closely following the fortunes of the Bombay markets could not have missed nothing that the stalemate in the Bombay Bullion Exchange followed a similar strategy adopted by a leading bull operator of that market. The same operator, it is suspected, has since turned his attention to the Stock market, as there is no forward trading in bullion now. At the rate at which this operator is believed to be taking delivery of all the shares offered, the market apprehends he might either bring about a similar crisis in the stock market or find that he has chewed more than he could digest and bring disaster upon himself. In either case, the resulting consequences, it is feared, would be serious.

If the Bombay brokers are aware, as they seem to be, of the serious possibilities of the present situation, why, it may be asked, do they persist in selling, especially when they know that the buyer in almost all cases is the same party or person. The Bombay brokers' reply is that, because share values have risen bringing down the yield at the ruling prices this works out to about 4½ per cent in the case of Tata ordinaries—they cannot possibly resist counselling their clients to sell.

What are the prospects of an end to this wave of one-party mad buying, with Calcutta especially indulging headlong in the mad spree? According to some Bombay brokers at least, the end is perhaps already in sight, considering the concern evinced by the Bombay Stock Exchange authorities and the twin curbs on individual margins and 'badla' charges imposed by them in respect of Tata ordinaries and Indian Iron, as also the banning of option business by the Indian Stock Exchange (the 'Mahajan' market as it is otherwise known in market parlance). But the question is whether these curbs are adequate and effective. According to one school of opinion, the curbs should serve to restore sanity, while another school holds equally strongly that they are hardly effective, in that the total number of operators to be affected by these curbs would be negligible. It is said for instance, that while the smaller fry would not be affected because of the limited volume of business they could indulge in, the margins are not such as to deter the big operators. However, a beginning in the right direction has been made, and it is to be hoped it will go some way atleast towards ushering in a more orderly behaviour on the stock markets.

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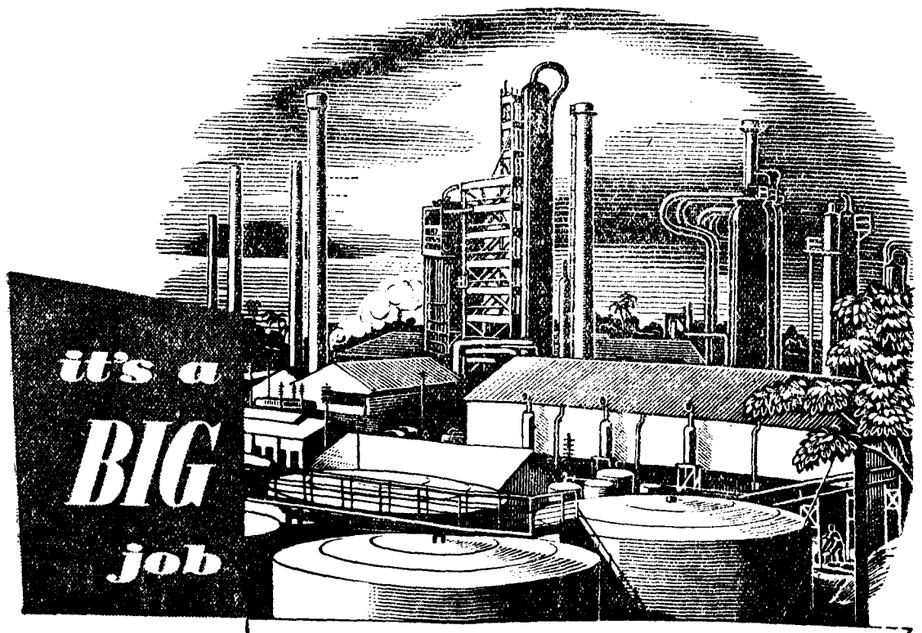
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BUSINESS NOTES

ON THE COTTON TEXTILE FRONT

IN LINE with its excellent record on the production side, the cotton mill industry in the country—it not only achieved the target of production set for it in the first Five-Year Plan, but surpassed it by a comfortable margin and that two years in advance of the target date. The industry has been able to hold its own in the world trade in cotton piecegoods as well. Thus, despite a drop of slightly over 6 per cent in the quantum of her exports of piecegoods for the first half-year in 1955, India continued to retain the second place and, what is more, she fared better than both Japan and the U.K. The latter countries lost 21.5 per cent and 17.8 per cent, respectively, of their export turnover in piecegoods in the half-year under review.

Contributing about 96 per cent of the total world trade in cotton textiles, the ten main supplying countries of the free world, namely, the U.K., India, Japan, France, Belgium, Italy, Holland, the Federal Republic of Germany, the U.S.A. and Hongkong, it is estimated, accounted for 2325 million sq. yds. for the period January-June, 1955, as against 2556 million sq. yds for the corresponding period of 1954.

In an analytical study of the statistical position of world trade in cotton textiles, the Statistical Officer of the Cotton Textiles Export Promotion Council observes that the 9 per cent decline in world trade in piecegoods has stemmed, among other things, from the shrinkage in the volume of production in some of the main supplying countries. Thus, the U.K., India and Japan, controlling 50-55 per cent of the total export in cotton textiles, it is stated, have together registered a decline of 2.5 per cent in their production of cotton textiles, compared with their production level for the first half of 1954. In the case of India alone, it must, however, be noted here, there has actually been an increase from 2503.4 million sq. yds. in the first half of 1954 to 2504.2 million sq. yds. in the corresponding period for the current year. Besides India, both Belgium and the U.S.A. also registered improvements in cotton textile production.

The overall decline in the production in the main exporting countries, irrespective of population increase, we are told, may well be a factor adversely affecting the international trade. It is further stated that, to some extent, the reduced offtake in the first half of the current year could be explained as the result of an adjustment of the increased offtake of the various overseas markets in 1954. This apart, there has been a tendency, of late, for some of the cotton-growing countries, who have hitherto been large importers of cotton textiles for their domestic needs, to start manufacture of cloth themselves. Iraq is an instance in point. This means, invariably, the raising of protective walls to safeguard the interests of the new producing countries. The contraction in offtake was also occasioned by changes in import duties in a number of countries. It was only very recently that the Iranian Government was prompted to change the basis of duty with a view to providing protection to the local industry which is mainly engaged in the production of coarse and medium fabrics. As a result of this move, perforce, Indian mills and exporters had to shift the emphasis from coarse and greys to printed, dyed and fine fabrics. Then, again, the suspension of O.G.L. and the growing trend towards bilateral trading, as in the case of Burma, necessarily contributed to the shrinkage in offtake. As though these were not sufficient in themselves, there was the question too of continued dock labour trouble in the U.K. and India (Calcutta and Bombay), not to mention the dearth of shipping space for certain destinations. In the face of all these uncongenial factors, it is not surprising that world trade in cotton piecegoods could not make any headway.

AREA AND VARIETY—WISE DISTRIBUTION

THE AREA-WISE distribution of textile exports from the major exporting countries reveals that India was the second largest supplier in Asian and African markets, while she held the third and the fourth place, respectively, in the European and the Oceanic markets.

Although India's total exports fell short by 98 million yards as compared to those of Japan—the largest single exporter accounting for 497.8 million yds.—she was able to supply more than 10 million yds. each to ten individual overseas markets, the lead being taken by the U.K. with 59.06 million yards for the first half of 1955, as against only 53.81 million yds. for the corresponding period in the previous year. Although not to the same extent, Indonesia, Malaya, Iran, Canada and New Zealand also took more in this period than in the last corresponding period.

The increasing tendency for consumption of Indian medium varieties of cotton piecegoods noticed for some time past in most of the overseas markets has been further corroborated by the figures available in this regard for the first half of 1955. Thus, medium cloth exports from India amounted to 317.17 million yds. of the total 399.35 million yds., followed by coarse cloth with 58.23 million yds., as against the export of 269.9 million yds. of medium and 99.8 million yds. of coarse in the first half of 1954. The decline in the export of coarse cloth, despite the reduction of export duty on the coarse variety, is to be accounted for by the recent change in the classification of varieties on the basis of average counts resulting in some of the coarse varieties being categorised as medium.

In the case of Indian handloom fabrics also, there was an increase in the production from 632.63 million yds. for the first half of 1954 to 678.46 million yds. for the corresponding period in 1955. Similarly, a slightly higher quantity, although still only 24.67 million yards was exported overseas, as against 23.44 million yards for the January-June period of 1954.

EXPORT COUNCIL FOR CASHEW AND PEPPER

THE EXPORT PROMOTION COUNCIL for pepper and cashew, to be set up shortly, is the fourth of such bodies that the Union Ministry for Commerce and Industry has planned to establish. The Government of India has offered to contribute two-thirds of the estimated expenditure of the Council for the initial period of two years and the balance will have to be contributed by trade interests. It is estimated that pepper and cashew exporters will contribute Rs. 20,000 each. The Council will have 25 members, nine each from among pepper and cashew exporters, two each from among pepper and cashew growers, and one representative each of the Travancore-Cochin, Madras, and Central Governments. The Deputy Chief Controller of Exports and Imports will be the Chairman of the Council, which will have its headquarters in Cochin.

Now, what are the export prospects of these commodities? As regards cashew, it is true that New York offers for cashew nuts are high compared to those for other Malabar products, but it is doubtful whether our exporters will be able to meet even the existing, let alone accept further, commitments. This year's original estimate of the Indian crop was no doubt high,

but it failed to materialise owing to untimely rains and drought. This season opened with forward contracts up to as far as December, 1955, for a total quantity which cannot be processed out of the raw nuts available, including the imports from East Africa. By the way, India imports an appreciable quantity of cashew nuts from East Africa for being processed and exported. Developments in the countries which have so far supplied raw material for the Indian processing industry make future prospects quite uncertain. Of the total requirements of 120,000 tons, about 70,000 tons used to come from the East African territories. But both Portuguese East Africa and Tanganyika, the principal suppliers of rawnut, have now started developing their own processing industry, and supplies from those sources—especially the former, what with the Goa tangle—will naturally start diminishing and may even disappear altogether eventually. Imports even this year have been only about 60,000 tons, which indicates a considerable shortfall—20 per cent—from the last year's figure of 75,000 tons. It is reported that supplies of rawnuts have almost been used up and that eighty per cent of the factories may have to close down from October. So far only about three to four lakh cases have been exported out of a normal annual volume of 10 to 11 lakh cases.

In view of all these, the cashew nut industry requires very careful study and tending at the hands of the Government. One of the first steps that will have to be taken for increasing rawnut supplies will be the immediate and rapid expansion of cashewnut cultivation in India.

The situation is not so bad with regard to pepper, though pepper prices receded from their boom levels and were quoting around only Rs. 850 per candy. Subsequently, however, the prices moved up to Rs. 950 on August 29, due to reported purchases by Russia of 1,000 tons of Indian black pepper. However, during the last three years, the rapid recovery of Indonesian production has been proving to be somewhat of a menace to India's monopoly of nearly a decade. This year's world production is estimated at 52,000 tons. Even if there is no substantial rise in consumption from last year's 47,000 tons, demand and supply will be in close balance and the market is, therefore, likely to continue firm. Last year, against a sharp rise in supplies, there was a heavier demand from China and Russia. Still, the U.S.A. remains our largest importer. India's pepper crop, which is estimated at 19,000 tons this year, will begin to arrive on the market from November and the arrivals will continue until May, and the reduction of the Indian export duty to 15 per cent should place the Indian growers in a more competitive postion when the 1955 Sarawak and Lampong crops are harvested from June. The long-term prospects, however, are not quite satisfactory. It does not seem likely that export promotional efforts will greatly expand pepper consumption in the U.S.A. By these efforts, we can at best maintain the current level of consumption and India's share in the American market. But even this would not be a small achievement. On the other hand, a substantial increase in consumption is possible in countries where pepper is now hardly used provided the use of pepper is popularised in these regions. There would also appear to be a wide scope for expansion of the internal demand. While export promotion is urgently needed, therefore, the authorities will also do well to keep an eye on the potentialities of the home market.

MYSORE PAPER MILLS' BRIGHT PHASE

WITH THE expansion of its production capacity, the Mysore Paper Mills Limited, Bangalore, enters a new phase full of promise. Now that the pulp plant has been completed the new paper machine can be worked to full capacity from October next. On the financial side, proof of sound operation during the year ended March 31, 1955, is offered by a dividend of 6¼ per cent plus a bonus of 1¼ per cent, grant of bonus to staff equivalent to the basic salary or wages for 2½ months and appropriation of Rs. 2 lakhs to the Special Redemption Fund set up for repayment of the loan from the Industrial Finance Corporation.

Mr. K. Narayanaswamy's observations, in the course of his presidential address at the last annual meeting of the shareholders of the company, on the changing trends in industrial relations, deserve careful note by the Planning Commission and the Government. That the management of the Mysore Paper Mills was able to conclude a truce with labour for 2½ years and thereby terminate the long standing dispute, speaks for its conciliatory attitude. This is a gain for an individual concern. But in the larger context, the new demand of labour for participation in management raises vital issues. No quarter must be given to emotional attitudes nor must we allow ourselves to be hustled into a hasty policy decision, if only because we may not like to lag behind certain countries—red complexion—which have experimented with this scheme. Full thought must be given to this vital issue which threatens to create needless problems instead of paving the way for harmony between employers and employees.

EGYPTIAN'S COTTON POLICY

THE DETAILS of its revised cotton policy (announced on August 31) by the Egyptian Government suggest that the authorities in Egypt are apparently convinced that there would be no export subsidy on U.S. cotton. It was this factor, together with the uncertainty surrounding it, that was responsible for the Egyptian Government to keep its new policy in abeyance. (In the normal course, it should have been made known by mid-June).

That the Egyptian Government was quite justified in the stand it took became clear when the American Ambassador to Egypt actually greeted the U.S. cotton policy as indicative of the American Government's aim to bring about stabilisation in world cotton prices. The U.S. Ambassador doubtless took this stand because of the assurance given by Mr. Ezra Benson that there would be 'no material change' in the U.S. cotton export policy in the near future. Evidently, he interpreted this assurance to mean that there would be no cotton export subsidy.

Be that as it may, a significant feature of the official cotton policy announcement from Egypt is that it provides for retention of the entitlement on dollars while abolishing it in respect of Sterling and Deutch Marks. One of the most effective devices in the hands of the Government of Egypt, this entitlement account scheme grants a cotton exporter the privilege of selling 75 per cent of his foreign exchange earnings on the open market; the remaining 25 per cent of such earnings must be converted by him at the official rate of exchange established by the Bank of Egypt. As there is always a great demand for foreign currencies in Egypt for the purchase of many types of goods which that country needs, Egyptian importers do not hesitate to pay a sizeable premium for the desired currencies.

Egypt has also announced that the cotton export tax on Karnak|Menoufi has been reduced to 8 tallaries per cantar, as against the previous 15, while, on Ashmouni|Giza 30, it has been reduced to two tallaries as against the previous 10. The twin concessions of the duty cut and the continuation of the entitlement scheme in respect of the U.S. should enable Egypt to export more cotton to America. Conversely, it follows, the abolition of the entitlement scheme in respect of Sterling and Deutch Mark would lead to a reduction in the offtake of Egyptian cotton by the U.K. and Germany. As a matter of fact, the U.K., which held the second place among importers of Egyptian cotton in the 1953-54 season, dropped to the eighth place with only 39,000 bales. In the case of Germany also, there has been a reduction of about 50 per cent in her imports of Egyptian cotton; for the season 1954-55, she accounted for the import of Egyptian cotton to the tune of only a little over five lakh bales, as against over nine lakh bales received in the previous season.

In sharp contrast has been the rising trend in the intake of the U.S.A., and in those of Russia and Poland especially. The improvement in America's offtake of Egyptian cotton after all was not every much, but Russia's share moved from zero in the previous season to 41,200 bales in the 1954-55 season, while Poland's quota (21,000 bales) increased seven times.

With the announcement of both the U.S. and her own cotton policy, the way has been cleared for Egypt to reopen the Alexandria cotton futures market. It is, as a matter of fact, scheduled to commence trading on September 26, after a suspension which has lasted for about three years now. It may be noted here that, when futures trading is resumed in Alexandria, the first contract to be traded in will be for the December (1955) delivery.

It was reported early in June that the Egyptian Government would guarantee growers 55 tallaries for good Ashmouni, 59 tallaries for good Giza 30, 61 tallaries for good Menoufi and 65 tallaries for Good Karnak. According to the Government's announcement, however, the minimum basic price in regard to Ashmouni and Giza 30 remains the same, while there has been an upward revision in respect of both Karnak and Menoufi at 69 tallaries and 64 tallaries, respectively.

WEST COAST PAPER MILLS

THE WEST COAST PAPER MILLS, LTD., an announcement in respect of which is published elsewhere, has started under very good auspices. This is the first public issue which has been under-written by the Industrial Credit and Investment Corporation. It is also unique in another way in that at is perhaps the first instance of an industrial undertaking in the private sector to be favoured with a loan from the Industrial Finance Corporation within but four months of obtaining the certificate of commencement of business. Then, again, it has secured a valuable concession in the form of deferred payment for its plant through its machinery suppliers to the extent of Rs. 40 lakhs. In all thus, even to start with, the Company is fully assured of its, initial total estimated capital outlay of Rs. 3 crores (Rs. 1 crore, being the capital under-written by the Industrial Credit and Investment Corporation, plus Rs. 1 crore, being the loan from the Industrial Finance Corporation of India, plus Rs. 60 lakhs, being the value of 50,000 ordinary shares and 10,000 preference shares, taken up by the promoters, directors and their friends, and plus Rs. 40 lakhs, being the deferred payment of machinery suppliers).

All these obviously serve only to underline the large scope for, and bright prospects ahead of, the paper industry in India. At present, there are only 20 units in the country manufactturing both paper and paper board, with a total capacity of 1,85,000 tons, which compares with atleast 200,000 tons which the Planning Commission considers to be adequate to meet the anticipated domestic requirements by next year. In the second Five-Year Plan, the target proposed by the paper industry is higher still at 3,70,000 tons. Considering that the actual production of paper in 1954 was only 1,55,000 tons, the large leeway still to be mad up becomes apparent.

Another way of looking at the matter of probable paper consumption in the country is to compare the per capita consumption in this country with those in other countries. Even when the production reaches 3,70,000 tons by 1960-61 as envisaged by the Planning Commission, the resulting per capita consumption of paper in India of 1½ lbs. would continue to be the lowest. Such certainly pales into insignificance compared to the per capita consumption of about 400 lbs in the U.S.A., 175 lbs in Canada and 154 lbs. in the U.K. Apart from all these, the anticipated rise in the standard of living, consequent on the large-scale developmental programmes under way and the rapid progress in the country's campaign for the spread of literacy, should help to create a very large potential market for paper in India. The addition of a well-conceived industrial undertaking for the manufacture of paper to the existing units must, therefore, be welcomed, especially when it is sponsored by such a well-known business house as the Bangur-Somani group and is blessed, besides, with so many favourable features. By the way, it can claim to be the first company to be started without any managing agents. That is, indeed, looking far ahead.

In the matter of raw materials supplies, including water supply and availability of electric power which not all paper companies in the country enjoy, as also transport facilities, the Company is in the happy position of having secured a very favourable site in Dandeli in North Kanara District of Bombay State. According to the Chief Engineer of a leading German Machinery Supplier, "the Dandeli site is probably the most suitable of the comparatively few presently eligible locations in India for the establishment of a major pulp and paper making unit based on bamboo". It is noteworthy that, by an agreement with the Government of Bombay, the Company is assured of an uninterrupted supply of bamboos for a period of 30 pears, besides enough land (on lease or occupancy rights) for purposes of the factory and its housing colony. The latest processes proposed to be employed are expected to make for quality production at very low costs.

On the Board of Directors, there are eminent industrialists and financiers like the well-known Bangurs of Calcutta and the Somanis of Bombay, Mr. Ramnath Podar, Mr. Pranlal Devkaran Nanjee and Mr. Maneklal Premchand.

The authorised capital of the Company is Rs. 5 crores, of which only Rs. 1,60,000 constitute the present issue. Of this amount, shares worth Rs. 60 lakhs have already been taken up and paid for by the promoters, the directors and their friends, so that only Rs. 50,000 ordinary shares and a like number of 6 per cent (free of income-tax) cumulative preference shares remain to be taken up by the public. Incidentally, even these shares have been under-written by the Industrial Credit and Investment Corporation, as already stated.

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS. A formal Prospectus has been filed with the Registrar of Companies, Bombay.

"CONSENT of the Central Government has been obtained to this issue, by an order of which a complete copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them."

"A LICENCE has been obtained from the Central Government for the establishment of this new Industrial Undertaking of which a copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in granting this Licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it."

The Subscription List will open on Monday, the 12th September, and will close on Thursday, the 22nd September, 1955, or earlier at the discretion of the Directors.

THE WEST COAST PAPER MILLS LTD.

(Incorporated under the Indian Companies Act, 1913)

AUTHORISED CAPITAL:

3,75,000 Ordinary Shares of Rs. 100|- each	**Rs.**	**3,75,00,000|-**
1,25,000 Cumulative Preference Shares of Rs. 100|- each ..	**Rs.**	**1,25,00,000|-**
	Rs.	**5,00,00,000|-**

ISSUED CAPITAL:

1,00,000 Ordinary Shares of Rs. 100|- each	**Rs.**	**1,00,00,000|-**
60,000 6% (free of income-tax) Cumulative Preference Shares of Rs. 100|- each	**Rs.**	**60,00,000|-**
	Rs.	**1,60,00,000|-**

The Company was incorporated on 25th March, 1955. On or about 2nd May, 1955, a Statement in lieu of Prospectus was filed with the Registrar of Companies, Bombay, and a certificate for commencement of business was granted on 5th May, 1955.

The Promoters, the Directors and their friends have taken up 50,000 Ordinary Shares and 10,000 Cumulative Preference Shares all of the aggregate face value of Rs. 60,00,000|- on which a sum of Rs. 50|- per share has been paid up.

The remaining 50,000 Ordinary Shares and 50,000 Cumulative Preference Shares are offered for public subscription.

The amount payable in respect of both the Ordinary and Preference Shares is as follows:

(a) **On application .. Rs. 25|- per share,**

(b) **On allotment .. Rs. 25|- per share**

(c) The balance of Rs. 50|- in respect of Ordinary Shares and Rs. 50|- in respect of Preference Shares is payable in such calls as may be determined by the Directors provided that no call shall exceed ¼th of the nominal amount of the shares and there shall be an interval of at least two months between two calls.

The Directors reserve the right to allot in advance of the opening of the subscription list not more than 20,000 Preference Shares out of the present issue.

By an Agreement dated the 23rd day of August 1955, the Industrial Credit and Investment Corporation of India, Limited, have agreed to underwrite the said 50,000 Ordinary Shares and 50,000 Preference Shares now offered for public subscription for an underwriting commission of Rs. 2 per cent. In addition to the said commission, the said Corporation is also entitled to brokerage at the rate of 1 per cent on the nominal value of all such shares as are either taken up by and allotted to them or have been subscribed for through them and allotted by the Company. In the opinion of the Directors the resources of the said underwriters are sufficient to discharge the underwriting obligations.

DIRECTORS:

Shri Gobindlall Bangur, (Chairman)	**Calcutta.**
Shri Gokulchand Bangur,	**Calcutta.**
Shri Pranlal Devkaran Nanjee,	**Bombay.**
Shri Maneklal Premchand,	**Bombay.**
Shri Ramnath A. Podar,	**Bombay.**
Shri Gajadhar Somani, M.P.,	**Bombay.**
Shri A. D. Chaudhari,	**Bombay.**
Shri B. D. Somani,	**Bombay.**

BANKERS:

THE STATE BANK OF INDIA, BOMBAY.
THE CENTRAL BANK OF INDIA LTD., BOMBAY.
THE UNITED COMMERCIAL BANK LTD., BOMBAY.
DEVKARAN NANJEE BANKING CO., LTD., BOMBAY.
THE BANK OF JAIPUR LTD., BOMBAY.

BROKERS:

1. Messrs. Place Siddons & Gough, 6, Lyons Range, Calcutta.
2. Messrs. Harkisondass Lukhmidass, 5, Haman Street, Fort, Bombay.
3. Messrs. Dhirajlal Maganlal Purshotamdass, Stock Exchange Building, Apollo Street, Fort, Bombay.
4. Messrs. Batlivala & Karani, New Union Bank Bldg., Dalal Street, Fort, Bombay.
5. Messrs. Kothari & Sons, Oriental Building, Armenian Street, Madras.

LEGAL ADVISERS:

1. Messrs. Payne & Co., Solicitors & Notary Public, Esplanade House, Waudby Road, Fort, Bombay.
2. Messrs. Kanga & Co., Solicitors & Notary Public, Readymoney Mansion, Nariman Road, Bombay.

AUDITORS:

Messrs. Batliboi & Purohit, Chartered Accountants, 204, Hornby Road, Fort, Bombay.

REGISTERED OFFICE:
SHREENIWAS HOUSE, WAUDBY ROAD, FORT, BOMBAY.

OBJECTS AND PROSPECTUS:

The Company has been formed, generally for carrying on all or any of the objects and purposes set out in the Memorandum of Association of the Company, and particularly to manufacture white printing and wrapping papers from bamboo and other raw materials.

There are at present 20 Units in the country for the manufacture of paper and paper board with a total capacity of about 1,85,600 tons. Heavy imports are necessary to meet the present demand, requiring valuable foreign exchange.

On the basis of the above figures the annual per capita consumption of paper in India is hardly one lb. This is very low in comparison with that in other countries such as U.S.A. having approximately 400 lbs., Canada 175 lbs. and U.K. 154 lbs.

With the growth of literacy, the expansion of trade and industry, the general rise in the standard of living and the increase in population, consumption of paper in India is bound to increase. The Planning Commission has envisaged a steady increase in the demand and the target fixed for the second Five-Year Plan for the paper industry is 3,70,000 tons compared with the production of 1,55,000 tons in 1954.

The present installed capacity together with the expansion already sanctioned leaves a wide gap to be bridged in order to meet the minimum requirements of the country. The industry, therefore, has bright prospects for further expansion.

The present rate of import duty on paper is 39⅜ per cent ad valorem which provides sufficient protection against undue foreign competition. Moreover, there are indications of world-wide shortage of paper as will be evident from the following observations made by **the President of the Newspaper Society, London, and the Indian Tariff Board as quoted hereunder respectively:**

"We face a famine, a real famine in paper not only newsprint but every form of paper. A new source of supply must be found."

"There is an overall world shortage of paper and pulp, making import of any substantial quantity of these products into this country from abroad, a remote possibility."

SELECTION OF SITE:

The promoters have selected Dandeli in North Kanara District of Bombay State as the site for the factory after a thorough investigation of all major factors which are briefly enumerated below:

RAW MATERIAL:

The various forest ranges around Dandeli have adequate resources of bamboos for a continuous output of 60 tons paper per day and there will be sufficient supply of suitable bamboo for any expansion of output that may be visualized in future.

It has been ascertained that supply of bamboo is available within an average lead of about 10 miles of the proposed site sufficient to supply a factory with a daily output of 100 tons.

WATER SUPPLY AND EFFLUENT:

Kalinadi, a perennial river, flows within a distance of about two furlongs from the factory site, assuring an abundant water supply all the year round. Permission of the State Government has already been obtained to discharge the effluent back into the river after necessary treatment.

AVAILABILITY OF CHEAP POWER:

Hydro-Electric power will be available from the Jog-Karnatak Electric Grid, a sub-station of which is situated just opposite the proposed factory site. It is also proposed to establish a thermal power plant for the generation of a part of the Electric power requirements and to make use of the steam from this plant for the process in the factory. Apart from the saving in the costs of operation this will assist in ensuring a continuous supply of Electric Power.

TECHNICAL PERSONNEL:

Qualified and experienced personnel required for the erection and in the initial period of operation will be obtained from the Machinery Suppliers.

TRANSPORT FACILITIES:

Dandeli is a terminus on the metre-gauge branch of the Southern Railways. Furthermore, it is a centre of a number of motorable forest roads. The factory site is about 133 miles by rail from Marmagoa Port, which may prove very useful in the long run for the dispatch of the products to coastal towns by sea route.

NATURAL MARKET:

The products of this mill will be sold primarily in Bombay, Madras and Andhra States, which are easily accessible by rail or sea from the factory site.

CONCLUSION:

Highly qualified experts have thoroughly examined the location from various aspects and have unanimously acclaimed the suitability of the project. The Chief Engineer of a leading German Machinery Supplier has observed in his report of 25th May, 1955, as under:

"The Dandeli site is probably the most suitable of the comparatively few presently eligible locations in India for the establishment of a major pulp and paper making unit based on bamboo."

AGREEMENT WITH THE GOVERNMENT OF BOMBAY:

By an agreement dated the 13th August, 1955, the Government of Bombay have granted to the Company necessary concessions for a period of 30 years, the royalty payable being Rs. 3-2-0 per ton on paper or pulp going out of the factory and subject to revision after five years and subsequently after every ten years; such revision at each stage shall not exceed 25 per cent of the basic rate of Rs. 3-2-0 per ton. They have further agreed to grant lease or occupancy rights of 200 acres of land for the Factory and Housing Colony.

CAPITAL OUTLAY:

On the basis of the quotations received from well-known machinery manufacturers, the Directors are of opinion that the capital outlay of the factory of the rated capacity of 60 tons including factory building, township, water works, etc., will be about Rs. 3 crores as under:

1—Plant and Machinery ..	**Rs.**	**2,40,00,000|-**
2—Buildings	**„**	**50,00,000|-**
3—Miscellaneous equipment vehicles etc.	**„**	**6,00,000|-**
4—Brokerage and underwriting commission	**„**	**3,00,000|-**
5—Preliminary Expenses ..	**„**	**1,00,000|-**
	Rs.	**3,00,00,000|-**

and the same will be provided as under:

By Share Capital:		
Already subscribed	**Rs. 60,00,000|-**	
Present Issue	**Rs. 1,00,00,000|-**	**Rs. 1,60,00,000|-**
By Loan from The Industrial Finance Corporation of India (already sanctioned)		**Rs. 1,00,00,000|-**
By way of Deferred Payment to Machinery Suppliers		**Rs. 40,00,000|-**
		Rs. 3,00,00,000|-

The working capital, when required, will be provided by borrowings from Banks and other organizations.

The minimum subscription in respect of the present issue on which the Directors will proceed to allotment is Rs. 1,00,00,000|-.

ESTIMATION OF PROFITS:

The Company intends to instal the latest Plant and Machinery which will effect a substantial saving as compared with older plants both in the cost of labour as well as of chemicals. Modern Soda Recovery and Recausticizing Plants are expected to effect a substantial saving in the cost of chemicals, and the recovery of steam will be another important economic feature.

Taking into account all these factors and leaving an adequate margin for contingencies, the costs of manufacture have been carefully prepared and examined by various technical experts and cost accountants. On the basis of existing selling prices and after allowing for all selling costs, freight, depreciation,

overhead charges, the Directors are satisfied that there will be an adequate margin to permit the payment of an attractive dividend on the Ordinary Shares after meeting interest on loans and on Preference Shares.

BROKERAGE :

Brokerage at the rate of Rupee One per cent will be paid to recognized Brokers, Banks or Industrial Credit and Investment Corporation of India Ltd. on allotments made in respect of applications bearing their stamps.

DIRECTORS' INTEREST :

By an agreement dated 25th day of July, 1955, Shri A. D. Chaudhari has been appointed Technical Director of the Company on a monthly remuneration of Rs. 2,500|- for a period of ten years from the incorporation of the Company and as such he is alone interested among directors.

The Company has paid to Shri A. D. Chaudhari a lump sum of Rs. 30,000|- and Shri M. G. Kotibhaskar a lump sum of Rs. 15,000|- in full and final settlement of the expenses incurred by them for preliminary survey, investigations and preparing the scheme.

DIRECTORS' QUALIFICATIONS AND REMUNERATION :

The qualification of a Director, other than a Debenture Director, shall be the holding of Ordinary Shares in the Company of the aggregate nominal value of at least Rupees Five Thousand.

The remuneration of a Director shall be not exceeding Rs. 200|- for each meeting attended by him, in addition to a fair compensation for his travelling expenses for attending Board Meetings. Such further remuneration may be given to a Director as by way of salary or commission on dividends, profits or turnover or by participation in profits or by any or all these modes. Provided that such remuneration by way of commission or by participation in profits shall not, without the sanction of the Company in General Meeting, exceed 3 per cent of the net profits of the Company as laid down in the Articles of the Company.

BORROWING POWERS :

No restrictions are imposed by the Articles of Association upon the Directors of the Company in respect of their powers of management save and except such restrictions as are imposed upon them by Article 61.

APPLICATION :

Application for shares should be made in the units of 5 shares of either class on the form accompanying the Prospectus of which may be obtained at the Registered Office of the Company, at the Office of the said Underwriters and at any of the offices in India of the Company's Bankers.

Where no allotment is made, the deposit will be returned in full and where the number of shares allotted is less than the number applied for, the balance of the deposit will be applied towards the amount remaining to be payable on the shares allotted and any balance thereafter remaining will be returned.

The shares when issued will be subject to the Memorandum and Articles of Association and Prospectus of the Company, copies of which can be inspected at the Registered Office of the Company during office hours.

Applications will be made to the Stock Exchanges of Bombay and Calcutta in due course for quotation for the shares.

(COPY OF THE PROSPECTUS CAN BE OBTAINED FROM THE COMPANY'S REGISTERED OFFICE, BANKERS & BROKERS)

THE RAMAYANA
OF
TULSIDAS
IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

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

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

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

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

It has been issued in the following four editions:

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

POSTAGE EXTRA

The Manager,
THE HINDUSTAN TIMES,
NEW DELHI.

COMMODITY NEWS AND NOTES

COMMODITY PRICE MOVEMENTS

Wholesale prices as measured by the Official index (with the year ended August 1939 as 100) advanced by 3.8 per cent to 355.6 during July 1955, as compared with 342.5 (revised) for the previous month. The index was lower by 6.7 per cent when compared with 381.3 for July 1954. During the month under review, food articles advanced by 9.9 per cent to 309.7, industrial raw materials by 4.5 per cent to 408.1 and manufactures by 0.2 per cent to 370.9. The index for the miscellaneous group declined by 1.0 per cent to 561.9. The index for semi-manufactures, however, remained almost unchanged at 329.6 as compared with 329.7 (revised) for the previous month.

The index for cereals witnessed a further substantial rise of 11.1 per cent to 359 as a result of an all-round increase in the prices of rice, wheat, jowar and bajra. 'Pulses' also rose by 19.3 per cent to 272 due to an advance in the prices of both gram and dal-arhar. Higher prices of tea and gur were mainly responsible for an increase of 5.6 per cent to 246 in the sub-group index for other food articles.

The index for fibres rose by 2.0 per cent to 415 owing to an increase in the price of raw cotton, notwithstanding a decline in the prices of raw jute and raw silk. There was a general advance in the prices of oilseeds due to which the sub-group index for oilseeds moved up further by 11.7 per cent to 391. Minerals also showed a rise of 1.4 per cent to 421 because of higher average export prices of manganese ore; the prices of coal, mica and iron ore, however, remained unchanged at the previous month's level.

Vegetable oils maintained their rising trend and the index for this sub-group moved up by 12.1 per cent to 398. Cotton yarn, on the other hand, fell by 3.8 per cent to 406. Higher prices of billets, zinc, copper and brass raised the sub-group index for metals by 4.9 per cent to 256. Prices of groundnut cake moved down; the index for oil cakes increased by 4.4 per cent to 333.

The index for textiles declined by 0.2 per cent to 4066 due to a fall in the prices of cotton manufactures (—0.5 per cent to 402) and wollen manufactures (—1.1 per cent to 282), although the prices of jute manufactures (+0.5 per cent to 417) and rayon and silk manufactures (+0.70 per cent to 474) were marked up.

PIECEGOODS MARKET TRENDS

Inspired by rumours of an imminent change in the structure of excise duties, particularly affecting superfine qualities, the domestic piecegoods market experienced brisk-trading conditions all round, especially in Bombay, with an advance in prices of about 5 per cent in the case of superfine cloth, during the fortnight ended August 31. Even if rumours about a revision in the excise duty should fail to materialise, there would still appear to be sufficient inherent strength in the market to keep up the present trend. For, considering that mills have already sold their output till the end of December next, demand is expected to be well maintained.

The export front, on the other hand, reported dull trading conditions during the same period. Pending clarification of the inssurance of new licences, trading with Burma has been at a standstill. Yet, even in the case of Indonesia, which has been reporting brisk business with India, accounting for bookings on a large scale, especially in grey sheetings—20 to 30 million yards during the month of August—there has been some slackening in the trade lately. As for the East African market, unless the freight problem is solved immediately, it is feared, India may well have to write off this market, which too has been reporting good demand for grey sheetings and coatings, particularly from Mombasa.

U.S. COTTON SURPLUS MAY FALL

The Agricultural Department of the United States Government has cautiously predicted that the U.S. cotton surplus may fall, for the first time in five years, by mid-1956. It indicated that the carry-over of old crop cotton might shrink from 11.1 million bales on August 1—the start of the current marketing year—to about 10.9 million bales a year later. The carry-over has been growing steadily from 2.3 million bales in 1951 to 8.1 million bales on August 1, 1955. The Department reckoned supplies of cotton available this year at 23.9 million bales.

U.S. cotton consumption is estimated at around 13 million bales, as against 12.4 million bales in 1954-55. Domestic mills are expected to use more than 9 million bales in 1955-56, compared to 8.9 million in 1954-55. Exports are likely to exceed 3.5 million bales—the level reached in 1954-55.

BETTER TOBACCO CROP PROSPECTS

World production of flue-cured tobacco this year may be nearly 10 per cent more than in 1954, largely as a result of the record yield per acre of this type of tobacco in the U.S. The production of Oriental leaf in both Turkey and Greece is also expected to increase.

According to the Commonwealth Economic Committee, the total U.S. crop of all types is estimated at 2,175 million lbs or 64 million lbs less than last year. Production of flue-cured, at 1,413 million lbs, shows an increase of 98 million lbs despite a 5 per cent cut in the area under this type. In Canada, the Ontario Flue-cured Marketing Association has limited members' plantings to 70 per cent of the base acreage, as against the full base acreage allowed last year. There is a marked decline in Rhodesia, Nyasaland and the Union of South Africa.

Th second estimate of the area under tobacco in India, on the other hand, indicates an increase of 2.4 per cent over last year, with the increase in the Virginia-producing area of Andhra alone exceeding 20 per cent. Indian exports of tobacco in 1954-55 rose to 74 million lbs.—reversing the downward trend of the two previous years—with consignments to the U.K. again accounting for over 40 per cent of the total.

BUMPER WHEAT CROP IN PUNJAB?

The Punjab expects a bumper wheat crop during the current year, breaking all previous records since partition. According to a forecast by the State Agricultural Department, the total outturn of wheat is estimated at about 14 lakh tons, as against over 11 lakh tons last year. This year the total area under wheat crop is estimated at about 34 lakh acres, compared to an average of 30 lakh acres during the past five years.

Barley and other grains are also likely to show an increase in production.

EXPORT OF ONIONS

The Government of India has reviewed the policy with regard to the export of onions and has decided to release quotas for export from the States of Madras, Andhra, Bombay, Mysore, Saurashtra, Bihar, Hyderabad and Pondicherry. The details of the licensing procedure are being notified by the Export Trade Control authorities at the ports concerned.

COMPANY AFFAIRS

TATA LOCOMOTIVE & ENGINEERING CO., LTD.

The tenth annual report of the Tata Locomotive and Engineering Co., Ltd., (TELCO), shows a big drop in net profit, after providing for the Managing Agency Commission and appropriation to the Depreciation Fund, from Rs. 3,35,690 in the previous year to only Rs. 3,303. A study of the Profit and Loss Account for the year under review, however, shows that total profits actually increased from Rs. 3.32 crores to Rs. 4.65 crores, not taking into account, of course, the profits on sale of locomotives and boilers. But there was a sharp increase in expenses under sales, publicity and commission, royalty and other amounts payable to Messrs. Daimler-Benz A.G., and interest charges. The total of the item, "Other Expenses," including all these for the year ended March 31, 1955, aggregated Rs. 21,49,245, as against Rs. 8,13,467 for the previous year. It must, however, be added that, with the commencement of production in the Company's automobile division, a beginning has necessarily to be made in organising sales and publicity and also payment of royalty to the principals.

The appropriation for depreciation has had to be curtailed from Rs. 96.84 lakhs in the year ended March, 1954 to just Rs. 35 lakhs and the Directors have stated in the report that this is due to inadequacy of profit. They further add that the amount provided for depreciation is not in accordance with their past practice and below that permitted under the Income-tax rules (that is Rs. 43 lakhs for normal depreciation and Rs. 46 lakhs for initial and other special depreciation). Unlike in the previous year, when the Reserve Fund received Rs. 3 lakhs, nothing has been provided during the year under review.

Prima facie, this is a dismal picture but, in fact, the position would not appear to be as discouraging, for the reason that although the profit-earning period for both boilers and locomotives has already begun under the terms of the agreement with the Government of India, pending the settlement of prices for locomotives and boilers supplied during the year to the Railway Board, the Directors have not included in the profit and loss account the amount of profit earned on locomotives and boilers. According to the Directors' Report "the Railway Board consider that the Company's costs of manufacture are too high and have, therefore, not accepted the price suggested by the Company". As the Company does not share the view of the Railway Board, it has been agreed that "an independent enquiry into the Company's operation and costs should be undertaken." Meanwhile, the Directors have decided to provide only for the cost of manufacture, excluding initial and other special depreciation.

Some of the notable features of the Report are:

(i) the number of locomotives produced during the year increased to 47, as against 22 in the previous year;

(ii) the proportion of the indigenous content of the locomotive production, which was below 75 per cent., the level required to qualify the Company for profits in respect of locomotives from the Government of India, is now well over 75 per cent;

(iii) the Directors propose to increase the capacity of the locomotive division to 100 complete locomotives per year by January, 1958;

(iv) despite several handicaps, the number of locomotive boilers manufactured during 1954-55 was 92 units, as against 67, or an increase of approximately 50 per cent over the previous year;

(v) as indicated in the previous annual report, the manufacture of coaching underframes by the Company (which was found to be uneconomic) has come to an end with an output of 266 units, comprising 32 broad-gauge and 234 metre-gauge underframes, as against 289 broad-gauge underframes during the previous year;

(vi) remarkable progress has been recorded in the newly set-up automobile division—the Directors state that the progress of work in this division has, in fact, been ahead of schedule; (During the year ended March 31, 1955, a total of 443 units were assembled from imported parts against a target of 500 units. The target would probably have been reached, if not exceeded, but for delays in the receipt of materials following the congestion at the Calcutta port.)

(vii) satisfactory arrangements have been made for the distribution of the Tata-Mercedes-Benz trucks and chassis, as also for after-sale services; and

(viii) the steel and alloy iron foundries, the work on the construction of which has been progressing satisfactorily, are expected to be completed by the middle of 1957.

The following table gives a summary of the balance sheets of the Company for the year ended March 31, 1955 as also for the two years immediately preceding:

A CORRECTION

On page 338 of "The Eastern Economist" dated August 26, 1955, while giving a resume of the Annual Report of the Tata Oil Mills Co., Ltd., it was erroneously stated that there was a prolonged strike starting from November. The Report is for the financial year ending March 31, 1955, and the strike actually took place in February/March.

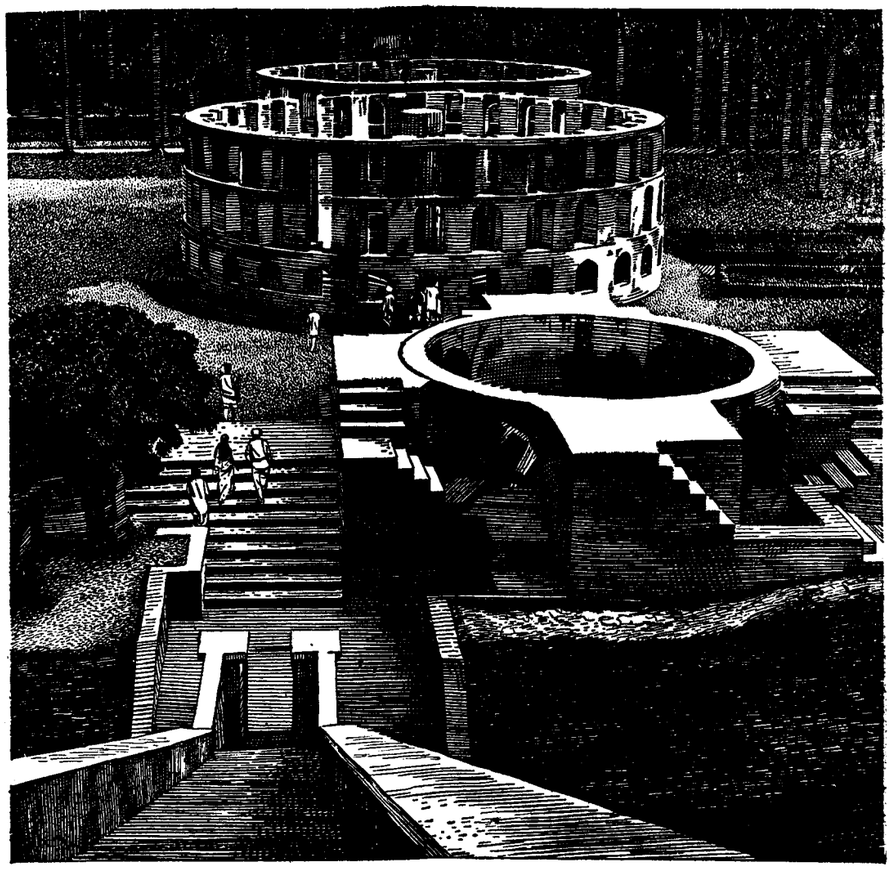
(Figures in lakhs of rupees)

	Liabilities					Assets			
Year	Capital*	Depreciation & Others Reserves†	Borrowings & Deposits	Other Liabilities	Profit & Loss Account	Total	Gross Block	Stocks & Stores	Book Debts, Advances etc.	Cash & Other Balances
1954-55 ..	776.85	343.82	330.73	273.40	.50	1725.34	783.56	555.93	341.15	44.65
1953-54 ..	650.00	310.85	262.04	329.57	.47	1552.96	725.06	537.64	288.86	1.35
1952-53 ..	650.00	250.45	179.85	263.16	.11	1343.60	641.06	410.97	286.32	5.18

* Includes paid-up capital, both ordinary and preference and debentures.

† Includes general reserves and specific reserves such as for taxation, depreciation etc.

Around India with Brooke Bond



The Jantar Mantar at Delhi ...

Of great interest to astronomers the world over is the Jantar Mantar or the observatory at New Delhi. It was built in 1725 by Maharaja Jaisingh II of Jaipur, who was also responsible for the observatories at Jaipur, Banaras and Ujjain. To the ordinary man, the structures inside the Jantar Mantar would look a little puzzling, but certainly not uninteresting because they possess a simple, geometric beauty of their own. These structures were devised to study and observe celestial phenomena—the location and movements of the sun, the moon and the stars.

Here, as everywhere in India, fresh Brooke Bond Tea is made available through a unique system of fast distribution from factory to shop.

Brooke Bond have thousands of acres of their own tea gardens—more than any other firm of tea distributors in the world. And Brooke Bond is the only tea firm with five blending and packing factories, each serving its own part of the country, from which fresh stocks are rushed to every shop.

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Brooke Bond Tea

FRESH and GOOD

BB 102

Company Meeting

The Mysore Paper Mills Limited, Bangalore

Speech delivered by Sri K. Narayanaswamy, B. Sc., I. A. S., Chairman, at the Twentieth Ordinary General Meeting of the Share-holders of the Company, held at Bangalore on Sunday the 21st August 1955.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Twentieth Ordinary General Meeting of the Share-holders of the Company and in presenting for your consideration the report of the Directors and the Audited Balance Sheet for the year ended 31st March, 1955. These have been circulated already and with your permission, I shall take them as read.

I had the privilege to report to you at the last meeting that the second Paper Machine went into production in August last; and in consequence the rated production capacity of the Plant increased from 4,000 tons to 8,000 tons per annum. Production during the year was however 5,200 tons—only about 1,000 tons more than in the previous year. Naturally you would like to hear from me a word by way of explanation as to why there has been an increase only by a thousand tons. The erection of the second Paper Machine was completed well ahead of schedule, but the expansion of the pulp plant for the production of pulp from indigenous raw materials is not yet complete. The equipments ordered for further developing the production of pulp and reducing its cost of production have all since been received and their erection is progressing according to schedule. The full range of equipments are expected to be in service by October this year. It is for these reasons that for a larger part of the year both the Machines could not be operated concurrently and continuously. This slight increase in production has been made possible by the use of the imported woodpulp. Even in normal days, we were using a small quantity of woodpulp to give strength and character to the special varieties of paper which were fetching higher prices. A larger quantity of woodpulp was used this year partly to feed the additional Paper Machine. I am confident that from October onwards, the pulp production in our own Mills would be stepped up to meet the requirements of the two machines and the use of foreign woodpulp would be minimised to the extent necessary for the manufacture of special varieties of paper, should the markets demand the same.

Considerable difficulties were experienced during the year both for movement of raw materials, chemicals and coal, and also for despatch of finished products to centres in South beyond Bangalore on account of non-availability of wagons and railway booking restrictions. As a matter of fact, raw materials and chemicals had to be got booked from Madras to Krishnarajapuram, Bangalore Cantt. or Bangalore and transhipped at Bangalore at our cost. This caused not only considerable inconvenience and delay, but also added to the costs.

At the last meeting, I had stated that several of the established paper mills had increased their capacity and new mills had come into being in the result that the day of early and quick sales seemed past. The demand for our paper during the year was not as brisk as in the previous years. Suitable steps have been taken to meet the situation arising out of increased competition and these measures enabled us to market almost the entire quantity produced, in spite of continuous transport bottle-necks. I may assure you that these market trends are being carefully watched and appropriate actions taken to re-adjust our sales policy to changing market conditions.

Mention has been made in the last year's report of the Award given by the Industrial Tribunal and its implementation. The matter had been further taken up before the Labour Appellate Tribunal both by the Labour Association and the Company. I am glad to inform you that this Industrial Dispute which was pending since 1951 has been settled amicably and the Labour Appellate Tribunal has passed the Award on the lines of the Agreement reached. A special feature of this settlement is the provision in respect of Industrial Truce for a period of 30 months and the Labour Association has agreed not to raise any fresh demands in respect of grades, wages, gratuity and other conditions of service during the said period. I am confident that the implementation of this Award and the terms of Industrial Truce in the right spirit will prove a blessing to all parties concerned, resulting in increased production and reduced costs.

The general question of Labour-Management relationships continues to be a subject matter of controversy in the country, though the population as a whole is still at the commencement of the undoubtedly long and painful struggle for elimination of misery and poverty in the land. The latest demand put forward on behalf of Labour, viz. participation in management, is of a class radically different from the familiar pleas put forward till recently in respect of fair treatment of Labour in regard to reasonable remuneration, working conditions, amenities and social insurance. Labour participation in management is no doubt being tried with reasonable success in West Germany and Yugoslovia in the post-war period. Though there ought to be no objection whatsoever in basing industrial operation on the best possible degree of co-operation from workers, it must be clearly remembered always that mankind whether in Capitalist or Communist societies has not been able to devise any sanction other than the "fear of sack" in order to check unsocial instincts lurking in the sub-conscious layer of human brains and maintain discipline and order without which social or civilised existance itself would be rendered impossible. The present stage of economic development, social conditions, level of civic consciousness nurtured by our educational systems and the imperative need, above all, to secure a solution of the problem of poverty in the quickest possible period should receive the most careful and anxious consideration at the hands of policy makers before decisions are taken on such novel doctrines.

As already disclosed in the Directors' Report, the gross profit stands at Rs. 16.73 lakhs and is Rs. 1.3 lakhs higher than last year.

During the year, we have provided Rs. 8.98 lakhs under Depreciation and have paid Rs. 2.90 lakhs by way of interest as against Rs. 8.07 lakhs and Rs. 2.04 lakhs respectively in the previous year. In spite of this larger provision, the net profit for the year is almost the same as last year. I have every hope that with the increased output and consumption of substantially larger quantities of indigenous pulp, better results will be forthcoming in the coming years.

Your Directors have accorded sanction to the payment of Bonus of 2½ months' basic salary or wages to staff and labour as in the previous year. They have also appropriated Rs. 2.0 lakhs out of the net profits to the Industrial Finance Corporation of India Loan Redemption Fund specially created for the purpose and have pleasure in recommending declaration of a dividend of 6¼ per cent plus bonus of 1¼ per cent absorbing Rs. 1,87,500.

On behalf of the Board of Directors and the Shareholders, I wish to express our gratitude to the Government of Mysore for their keen and abiding interest in the development of this Industry.

In this connection, I also wish to express my sincere thanks to my colleagues on the Board for their able guidance and valued assistance, and on behalf of the Board of Directors and on my own, wish to express appreciation of the loyal and efficient co-operation of our employees.

Since we last met, Sri B. P. Ramakrishnan, who was the General Manager of the Mills for over 5 years, has gone on leave prior to reversion to Government service. Sri B. P. Ramakrishnan served the Company with great ability and zeal all these years and your Directors have placed on record their warm appreciation of his services.

Gentlemen, with these observations, I now beg to move that the Directors' Report and Balance-Sheet and the Profit and Loss Account for the year ended 31-3-1955 be approved and adopted.

The Chairman's Speech was followed by a brief discussion and questions and answers. The Meeting then adopted the Balance-Sheet and Profit and Loss Account for the year ended March 31, 1955.

The House then passed a resolution declaring a dividend of 6¼ per cent and bonus of 1¼ per cent, in all 7½ per cent.

Messrs. M. Ct. Muthiah, N. Narayanappa and C. Shivappa were elected Directors.

Sri S. R. Mandre and Messrs. Santhappa & Co., were appointed Auditors for the year 1955-56.

With a Vote of Thanks to the Chair, the Meeting terminated.

INDUSTRIAL FINANCE CORPORATION OF INDIA
KEELING ROAD, NEW DELHI

NOTIFICATION

In pursuance of Regulation 34 of the General Regulations of the Corporation, it is hereby NOTIFIED that the following valid nominations of candidates for election as directors on the Board of Directors of the Corporation are received, namely:-

(i) Nomination for election of one director representing shareholders referred to in clause (c) of Section 10 of the Industrial Finance Corporation Act, 1948 (Act XV of 1948), in favour of Shri M. Ct. Muthiah, Chairman, The Indian Overseas Bank Ltd., Madras.

(ii) Nomination for election of one director representing shareholders referred to in clause (d) of the said Section in favour of Shri L. S. Vaidyanathan, Manager, The Oriental Government Security Life Assurance Co., Ltd., Mahatma Gandhi Road, Fort, Bombay.

As the number of valid nominations so received is equal to the number of vacancies to be filled in, the above candidates validly nominated are, in accordance with the said Regulation, deemed to be elected at the Seventh Annual General Meeting of the Shareholders of the Corporation convened for the purpose on Saturday, the 17th September, 1955, at 4-00 P.M. (Standard Time) in the hall of the Constitution Club, Curzon Road, New Delhi.

2. It is further NOTIFIED that the following valid nominations of candidates for election as a director representing shareholders referred to in clause (e) of the said Section are received, namely:-

1. Shri V. P. Varde,
   C/o The Bombay State Co-operative Bank Ltd.,
   9, Bake House Lane,
   BOMBAY.

2. Shri B. Venkataratnam,
   President,
   Madras Co-operative Central Land Mortgage Bank Ltd.,
   MADRAS.

Election of one director representing shareholders referred to in clause (e) of the said Section will take place at the meeting referred to above.

3. It is further NOTIFIED that in pursuance of Regulation 60 read with Regulation 34 of the General Regulations of the Corporation, only one valid nomination for the election of one Auditor under Section 34 of the Industrial Finance Corporation Act, 1948 (Act XV of 1948), is received in favour of Messrs. S. B. Billimoria & Co., Chartered Accountants, 113, Mahatma Gandhi Road, Fort, Bombay, and as such they are deemed to be elected as an Auditor at the said Annual General Meeting.

(H. V. VENKATASUBBIAH)
Managing Director.

U. S. Hospital Building,
Keeling Road,
NEW DELHI.
Dated September 6, 1955.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339 8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
November 1954 ..	334 2	443.8*	348 8*	377.0	605.4	376.1	90.4	100.5	88.3	118.2
December ,, c ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	116.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.6	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	561.9*	355.6*	90.9	100.7	87.8	117.9
Week Ending										
16-7-1955 ..	317.8	408.3	331.1*	370.5	570.1	358.8	90.9	100.8	88.0	118.6
23-7-1955 ..	312.5	407.7	329.8	370.9	552.7	356.3	90.9	100.8	87.9	118.7
30-7-1955 ..	313.3	414.6*	325.7	371.8	551.4*	357.2*	90.9	100.7	87.9	119.8
6-8-1955 ..	315.7	400.9	327.1	371.5	560.7	356.3	90.9	100.7	87.8	121.4
13-8-1955 ..	315.1*	406.2*	326.6	371.6	562.8*	356.9	90.9	100.7	87.8	122.0
20-8-1955 ..	320.5	405.3	326.8	371.4	563.2	358 6	90.9	100.7	87.7	122.9

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
							Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 August	345	362	241	135	330	408	372	140	336	145	141	138
September	347	364	237	137	332	406	371	137	335	147	142	138
October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	129
May	320	336	204	122	315	335	351	—	—	—	—	—
June	317	333	211	123	317	347	—	—	—	—	—	—
July	324	340	224	129	—	371	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED 3-9-1955			27-8-1955			20-8-1955			13-8-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95- 0	93-10	94- 4	96- 6	95- 6	95-14	95- 2	95- 1	95- 2	95- 2	94-11	94-1
Silver (per 100 fine tolas)	164-12	163-12	164- 8	167- 4	165-12	166- 9	163- 0	161- 4	162- 0	161- 8	160-12	161-

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	86,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
January 1955	1,220,25	14,88	1,235,13	40,02	656,70	695,72	56.33	104,27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52,39	104,14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40.02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336,28	40,02	646 04	686,06	51.34	105,87	543,65	1,336,28
August ,,	1,299,00	26 50	1,325,50	40,02	633 29	673,29	50.79	108,24	543,69	1,325,50
Week Ending										
29-7-1955	1,291,47	37,72	1,329,20	40,02	637,04	677,06	50.94	108,49	543,65	1,329,20
5-8-1955	1,305,80	22,53	1,328,33	40,02	637,04	677,06	50.97	107,63	543,65	1,328,33
12-8-1955	1,307,13	21,34	1,328,48	40,02	637,04	677,06	50.96	107,63	543,69	1,328,48
19-8-1955	1,297 98	31,39	1,329,37	40,02	637 04	6 7706	50.93	107,73	543,69	1,329,37
26-8-1955	1,285,99	30,73	1,315,82	40,02	622,04	662,06	50.32	110,07	543,69	1,315,82

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	82,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,39	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	196,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,91	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August ,,	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
Week Ending														
29-7 1955	80,24	20,19	54,46	15,06	169,95	36,88	216,84	37,87	7,75	80,03†	1,00	22,47	61,47	6,25
5 8-1955	76,71	10,88	48,51	15,74	151,84	38,14	199,98	22.64	7,69	82,24†	85	19,58	61,66	5,31
12 8-1955	75,02	9,44	53,74	15,66	153,85	37,29	201,14	21.49	8,11	81,94†	3,57	18,75	62,02	5,26
19-8-1955	90,95	25.89	51,80	33.43	202,08	23,76	235 84	31,56	11,51	85,30†	2,44	33.38	62,38	9,27
26-8-1955	106,65	36,42	51,36	16 27	208,71	23,29	242,00	30,89	12,29	95,50†	80	28,75	62,65	11,13

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	61.77	..
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	303,48
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	306,34
										321,29
Average of Fridays										
February 1955 ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March „ ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April „ ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May „ ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June „ ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July „ ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August „ ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
Week Ending										
29-7-1955 ..	600,36	409,78	1,010,14	31,91	52,32	8.34	489,88	111,25†	61.72	368,71
5-8-1955 ..	602,88	410,41	1,013,29	34,37	48,05	8.13	488,90	113,25†	61.64	369,91
12-8-1955 ..	607,65	409,24	1,016,89	34,48	50,32	8.34	488,00	110,53†	60.96	371,44
19-8-1955 ..	601,39	407,64	1,009,02	34,49	48,16	8.19	510,44	109,71†	63.04	376,03
26-8-1955 ..	608,07	409,06	1,017,13	33,27	50,23	8.21	496,51	109,70†	61.39	378,28

* Undivided India.

† Including foreign bills purchased and discounted.

NOTE: Column (10) indicates (8+9+money at call and short notice) as percentage of (4) from 14-5-54.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
May 1954 ..	1,830,54	1,229,31	601,23	563,56	37,67	−14,38
June „ ..	1,798,01	1,199,85	598,16	564,99	33,17	−32,53
July „ ..	1,769,96	1,167,95	602,01	568,64	33,37	−28,05
August „ ..	1,764,85	1,159,94	504,91	577,98	26,93	−5,11
September „ ..	1,767,40	1,166,93	600.47	576,01	24,46	+2,55
October „ ..	1,791,02	1,179,19	611,83	579,08	32,75	+23.62
November „ ..	1,801,96	1,182,56	619,40	591,39	28,01	+10,94
December „ ..	1,843.23	1,218,99	624,28	597,20	27,08	+41,32
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+29,19
February „ ..	1,910,42	1,267,42	643.00	610,04	32,96	+37,95
March „ ..	1,976,36	1,307,23	669,13	599,16	69,97	+65,94
April „ ..	1,998,88	1,338,65	660,23	614,26	45,98	+22,52
May „ ..	1,985,61*	1,334,59*	641,01*	616,89*	24,12	−13,27*
June „ ..	1,985,51*	1,340,94*	644,57*	623,33*	21,23	−10*

* Provisional.

INDUSTRIAL PRODUCTION IN INDIA

(Monthly averages or calendar months)

Item	Unit	Latest Installed Capacity	1952	1953	1954	1955				
						February	March	April	May	June
Coal ..	'000 tons	..	3015	2987	3,067	3,249	3,304	3,233	3,175	3,075
Sugar ..	„	113.1	124.5	106.6	90.5	318.3	306.9	194.9	84.0	13.9
Tea ..	Lakh lbs	..	512.1	504.8	53.1	7.8	9.2	31.3	48.7	77.9
Cigarettes ..	Lakhs	20208	16766	16528	17,195	18,870	18,490	19,410	18,010	..
Cotton yarn ..	„ lbs	..	1208	1255	1,303	1,241	1,329	1,300	1,250	1,330
Cotton cloth ..	„ yds	..	3832	4155	4,167	3,986	4,422	4,180	4,010	4,180
Jute ..	'000 tons	..	79.3	77.3	77.3	81.8	88.9	85.7	81.7	85.7
Woollen Manufactures	„ lbs	1667	1382	1492	1,563	2,044	..	..	..	..
Plywood ..	„ sq. ft.	11900	7545	7100	6,481	9,583	9,873	8,885	10,288	8,319
Paper & Paper Boards	Tons	15517	11459	11642	12,944	14,094	15,114	15,073	13,941	..
Sulphuric Acid ..	„	17432	8007	9091	12,573	12,120	14,350	13,255	11,302	..
Caustic Soda ..	„	3471	1422	1909	2,442	2579	2,992	2,686	2,603	..
Soda Ash ..	„	7506	3694	4739	4,024	4,907	6,955	6,570	5,509	6,768
Chlorine Liquid ..	„	1529	520	678	815	701	713	646	816	..
Bleaching Powder ..	„	650	66	162	244	166	226	201	212	..
Bichromates ..	„	448	122	209	270	239	259	238	234	..
Superphosphates ..	„	17710	3888	4025	8755	5978	7,363	5,666	5,150	..
Ammonium Sulphate ..	„	35492	18359	26,635	28,352	27,611	36,199	32,199	32,33	27,672
Paints and Varnishes ..	„	5400	2681	2671	3,068	3,007	2,958	2,373	2,104	..
Matches (cases)† ..	Thousand	58.8	51.6	51.5	44.1	51.2	51.2	51.3	50.1	..
Sheet glass (sq. ft.) ..	„	8440	753.6	1898.9	2759.4	3532.6	3904.0	2924.9	1713.3	..
Cement ..	„ tons	370.3	294.8	315.0	366.5	363.7	380.3	365.8	375.4	351.9
Refractories ..	„	27.5	20.3	19.0	20.0	19.9	22.6	21.8	21.5	21.6
Pig-Iron ..	„	185.1	140.4	137.9	149.4	137.9	150.2	152.7	150.9	..
Steel Ingots and Metal for Castings ..	„	128.5	131.5	125.6	140.4	138.3	149.1	144.6	143.0	..
Aluminium ..	Tons	625.0	297.2	313.2	407.2	461.4	627.5	599.3	653.2	613.3
Copper ..	„	600.0	506.6	410.0	596.8	605.0	674.0	640.0	635.0	620.0
Lead ..	„	500.0	94.3	141.2	149.0	162.0	211.3	200.0	170.7	174.1
Hurricane Lanterns ..	Thousand	416.9	293.6	359.4	415.6	343.8	351.6	367.1	392.1	453.4
Enamel-ware (pieces) ..	„	2500.0	640.9	790.3	1248.1	2365.7	1132.4	1265.4	1012.4	..
Diesel Engines ..	Nos.	1257	354	310	721	747	914	885	883	683
Sewing Machines §	„	3458	4170	5202	6685	7,030	8,010	8,282	8,484	8,200
Machine tools (value) ..	'000 Rs.	..	369.8	367.3	416.9	544.6	613.8	381.2	598.8	..
Dry Cells ..	Lakh	187.0	108.5	123.7	123.9	130.9	128.0	144.4	132.4	..
Storage Batteries ..	Thousand	24.2	13.2	14.7	15.7	18.1	20.2	19.8	20.6	17.8
Electric Motors ..	„ H.P.	16.7	13.1	13.5	15.6	17.9	20.6	20.7	19.5	20.7
Power transformers ..	'000 K.V.A.	31.5	17.9	25.7	33.3	41.1	42.1	39.6	42.9	47.2
Electric lamps ..	Thousand	2433.3	1740.0	1647.3	1923.0	1819.8	2025.1	2122.5	2110.6	2145.9
Electric Fans ..	„	25.3	16.3	16.6	19.9	22.4	27.2	26.6	26.1	..
Bicycles ..	Nos.	40,000	16,413	22,014	31,030	30,548	38,990	39,414	41,040	30,908

† 50 gross boxes of 60 sticks each.

§ Installed capacity calculated for a single shift working, while one of the two units has been working more than one shift.

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Year 1954	June		6 Months Jan.-June	
		1954	1955	1954	1955
Total All Exports	148,595	7,388	6,368	65,196	82,206
Of which :-					43,094
Tea	76,963	1,622	1,021	27,940	5,829
Leather, leather manufactures & dressed furs	13,271	936	885	7,258	3,542
Tobacco & tobacco manufactures	6,910	1,057	998	3,459	451
Hides, skins & fur skins, undressed	974	68	83	494	2,194
Wool & other animal hair and tops	5,567	589	356	2,813	1,668
Cotton	2,584	197	136	1,553	862
Miscellaneous textile fibres & waste	1,070	113	88	561	1,211
Metalliferous ores & metal scrap	3,081	91	193	1,793	2,461
Miscellaneous animal & vegetable crude materials, inedible	4,528	252	242	2,112	2,859
Animal & vegetable oils, fats, greases & derivatives	1,892	236	481	488	3,734
Cotton yarns & woven fabrics	6,855	654	360	3,132	8,265
Miscellaneous textile manufactures	16,444	974	726	9,118	

II. PRINCIPAL IMPORTS

	Year 1954	June		6 Months Jan.-June	
		1954	1955	1954	1955
Total All Imports	114,907	8,617	5,192	59,007	60,820
Of which :					
Machinery other than electric	28,151	2,096	1,310	14,563	14,455
Electric machinery, apparatus & appliances	14,836	1,083	696	7,695	7,480
Wool & other animal hair	4,929	327	202	2,688	2,403
Petroleum & petroleum products	4,616	608	75	2,736	904
Chemicals	15,152	1,211	593	7,437	7,450
Paper, paperboard & manufactures thereof	1,334	72	113	574	943
Iron and steel	5,891	417	234	2,889	3,680
Non-ferrous base metals	1,653	175	58	806	1,092
Manufactures of metals	5,080	348	219	2,669	3,719
Railway vehicles	3,052	214	99	1,965	2,047
Road vehicles & aircraft	9,363	676	740	5,213	4,962
Scientific instruments; photographic & optical goods; watches & clocks	2,239	225	165	1,136	1,461

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Year 1954	June		6 Months Jan.-June	
		1954	1955	1954	1955
Total Machinery	42,987	3,179	2,006	22,258	21,935
Of which :-					
Boiler & boiler-house plant	1,463	113	80	863	799
Internal combustion engines	1,883	108	60	952	792
Agricultural machinery	197	11	6	84	82
Agricultural & track-laying tractors	754	41	36	374	463
Machine tools (excluding portable power tools)	2,005	101	111	968	1,179
Pumps	744	75	35	376	339
Industrial & works trucks & tractors & mechanical handling equipment	1,612	163	75	863	798
Excavating & earth-moving machinery & road rollers	650	33	32	236	657
Mining & well drilling machinery	481	22	6	247	162
Printing & bookbinding machinery & printing type	573	58	22	290	266
Textile machinery	6,863	495	314	3,576	3,149
Air-conditioning & refrigerating machinery	252	11	14	133	142
Generating sets, generators & motors	2,233	196	75	1,124	1,078
Converting machinery, transformers, switch gear & switchboards	4,023	339	197	2,062	1,979
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,544	78	110	668	959
Telegraph & telephone equipment & line apparatus	1,420	98	37	986	376
Electric cables, wires, strips & strands, insulated	2,705	158	110	1,486	1,524

Source :—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

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India and China: Planning Parallels

FOR those who have indulged in the exciting speculation over the comparative rates of economic advance possible in China and India, there is enough grist in Vice-Premier Li Fu-Chen's Report on China's first Five-Year Plan submitted to the National People's Congress in July. The Report underlines some of the striking parallels which justify comparison. Planning in both countries commenced almost simultaneously, but in China the task, which began in 1951, was not completed until February last because of an extensive preparatory period. It does not appear that the Plan is consequently more impressive by its quality or thoroughness, but China has certainly broken with Communist tradition by making available to the rest of the world the main statistical assumptions of her Plan, in intelligible terms. Hitherto, all comparative assessments had depended on assumptions about the vast possibilities of the utilisation of manpower resources under

a totalitarian system of mobilisation. The limits to the effective use of such manpower could only be conceived in the abstract. There is now more tangible evidence of recent experience and the factual bases of the hopes for the future.

The leaders of China now claim that the phase of China's economic recovery ended in 1952, when the total value of her output was raised by 77.5 per cent over the level of 1949, the year of Communist victory. The landmark coincides, more or less, with the beginning of the dynamic spell in the Indian economy which has already shown results which are far in excess of the achievement in the other country. It has been recognised all along that China's industrial and transport base has been narrower in many respects, but even so, the results of the first two years of the first Five-Year Plan (1953-1957) have not been quite encouraging. The reason lies partly in the succession of bad seasons—the drought of 1953 and the subsequent waterlogging and heavy floods which caused a setback in grain and cotton production, particularly when the purchasing power of the people had presumably been increased by the outlay on the Plan. Li Fu-Chen has claimed that the total output value of industry and agriculture increased by 14.4 per cent in 1953 and 9.4 per cent in 1954 and that the proportion of the value of output in organised industries increased from 26.7 per cent of total output in 1952 to 33 per cent in 1954, while agriculture remained almost stationary in these first two years of the Plan.

Considering the character of China's proposed industrial investment under the Plan, it is not surprising that even this apparently impressive rate of increase should have led to difficulties. About 58 per cent of the total outlay on the Plan has been devoted to industry, of which only 11.2 per cent related to consumer goods industries. The result has been a shortage of consumer goods, which has not been denied but only regarded as inevitable in the short period. But since even the Soviet Union—on whom China has placed implicit faith for providing the model for Marxist planning and material assistance for successful execution of projects—has now gone back on the shortlived promise of more consumer goods, there should be no surprise if the long period also becomes a succession of similar short period shortages. These factors explain much of the current obsession with political saboteurs and with speculators who thrive on shortages. The ultimate question, however, is whether the projects and targets are commensurate with this apparently stupendous effort that is being put into capital construction.

There are as many irreconcilables in the statistics now put forth as there are imponderables. The total outlay during the five-year period on both economic construction and cultural and educational development has been estimated at 76,640 million yuan or the equivalent value of 700 million ounces of gold. Currency equivalents of this figure may not give a true picture but even if they only show the broad order of magnitudes, it would be difficult to accept that an outlay equivalent to Rs. 12,000 crores is now contemplated, of which 55.8 per cent is on investment in capital construction. The investment in industry on this showing would amount to about Rs. 4,000 crores or one-third of the total. But judging by the major indicators of increased economic activity, the targets do not appear commensurate with this high outlay. Steel output is expected to increase by 4.5 million tons, coal by 50 million tons, cement by 3 million tons and power by 8 billion k.w.h. Including the other targets in tractors, motor cars, fertilizers and all types of machinery, the total would show more than double the investment-output ratio estimated here for comparable achievement.

The investment targets of China include a substantial proportion of labour calculated in money terms, but this cannot obviously apply to the capital-intensive outlay in industry. It is estimated that "the actual amount of investment (namely, the amount of work) made in two years accounted for 32 per cent of the total investment for the five-year period." There is very little known yet about the means of mobilising this social capital. Among the sources of capital accumulation are mentioned only the negative benefits arising from cessation of imperialists' profits, landlords' exactions and private profits, and the taxation of other gains. There has been a frank acceptance that the planners cannot ignore objective limitations and indiscriminately expand the scale of construction. But even as they are, the figures of investment seem too high for an economy which has just been rehabilitated and in which the industrial base is low.

It would be far easier for China to show larger percentage increases from her present level of industrial output than for other countries with a wider industrial sector but much less unutilised capacity. Yet the rate of increase in industry—if the ambitious targets set are realised—will be 14.7 per cent, which compounded in five years is expected to show a total increase in gross value of China's industrial output of 98.3 per cent in 1957. This is comparable to a similar rate regarded generally as feasible in India at this stage, though Vice-Premier Li Fu-Chen assumes that it "has not been nor can it be achieved in capitalist countries". In the agricultural sector, the rate of increase assumed, of 4.3 per cent per year, is within easier reach in India than in China for the reason that there is a much larger scope for increase in productivity per unit of cultivation in India, while the limits to the extension of sown area by reclamation are common to both countries.

The intense dependence on Soviet assistance indicated in China's Five-Year Plan only proves the premium now placed on industrialisation. The dangers of this course in terms of hardships to the present generation of Chinese have not been overlooked. There has been no emphasis on welfare in the short term. And in spite of the increase of the new working force in larger numbers, the employment target at the end of five years has been fixed only at 4.2 million in contrast to the larger ambitions of our planners here. China's Plan is perhaps not ambitious in the context of her present population and the higher rate of increase of 2 per cent per annum disclosed by the census of 1953. However, the admitted facts about the setbacks in agriculture and the low priority to consumer goods for the increasing population indicate that the weakness of the Plan lies in its determination to force the pace in heavy industry; the very low proportions of investment in agriculture and transport, judged in the light of Indian experience, may not take long to tell on the economy.

Report on Convertibility

RECENT trends in international balances of payments have brightened up the prospects of multilateral convertibility. There has, of late, been increasing evidence that, following the rapid economic recovery and the resultant fillip to export trade, and the persistence of favourable payments balances throughout 1953 and 1954, many countries, and especially the European industrial countries, have found it possible to reduce their trade restrictions or even, in a few cases, virtually abandon them. In some countries, rising gold and dollar reserves have led to a reduction, to a low level, of restrictions imposed for balance of payments reasons on imports from any source. Other favourable factors have been the improvement in the relative scarcities of different currencies and the increasing desire to enjoy the competitive advantage of buying in the cheapest market. In Europe, the existence of the multilateral offsetting arrangements of the E.P.U. has also removed any incentive for most of its member countries to discriminate in their mutual trade.

It is the cumulative effect of these favourable trends that has enabled the International Monetary Fund to take an optimistic view of the prospects for convertibility. The annual report for 1955 of the I.M.F. published this week points out that, during 1954 and the first half of 1955, further considerable progress has been made in the direction of freer and less discriminatory trade, on the basis of freer and more multilateral payments arrangements. This, in effect means a continuation of the movement noted in the previous year when steps were taken, both in Western Europe and elsewhere, to relax the restrictions previously imposed, for balance of payments reasons, on imports, on currency transfers and on foreign exchange dealings. It is gratifying to note that many countries have shown a determination to advance further, step by step, towards the liberalisation of trade and currency convertibility. The current exchange control systems of the U.K. and West Germany have reduced the incentive for trading partners outside the E.P.U. monetary area to discriminate in favour of these countries as against non-dollar countries. Practically, all sterling balances held by non-residents have been unified into a single category of Transferable Sterling, which is freely transferable between account holders outside the dollar area. Equally noteworthy is the fact that such of those countries whose own payments situation is not yet such as to encourage them to dismantle restrictions are, the I.M.F. report points out, finding it more difficult to obtain from their trading partners that reciprocity without which mutual trade arrangements based on inconvertibility lose many of their advantages.

All this should not lead one to imagine that the road to free convertibility is clear. The existence of unfavourable factors must be taken cognizance of. It has to be borne in mind that the weakening of the reserves of several primary producing countries in the second half of 1954 has already led, notably in Australia and Thailand, to an increase in import restrictions. As the Report observes, the point seems to have been reached where the obstacles to further progress in the removal of quantitative restrictions in Europe lie as much in the desire to protect individual industries—especially in the agricultural sphere where social and strategic considerations play an important role—as in the continuance of payments difficulties. Further, the exports of the countries of the dollar area suffer most from discrimination on currency grounds elsewhere; these countries are, states the I.M.F. Report, excluded from the general measure of transferability mentioned above, and their currencies are those into which the conversion of other currencies is most reluctantly accorded. It is true that here too progress has reportedly been made in the past year towards non-discrimination. But dollar liberalisation has yet to be fostered on a universal scale.

However, in spite of the extension of non-discrimination and multilateralism in trade and payments, there is still a great network of bilateral trade and payments agreements which links the inconvertible countries of the world. After due account has been taken of all the factors that have either accelerated or checked the movement towards liberalisation and convertibility during the past year, the record can be regarded as fairly satisfactory. Prospects for continued improvement in the immediate future in the international payments situation are, in general, good. Economic trends in the U.S. inevitably continue to be a matter of outstanding interest to the rest of the world. By its effects on U.S. import demand, a high level of industrial activity in the U.S. should assure an increasing supply of dollars to the world and, in particular, an improvement in the position of many primary producing countries. Should the trend of international payments continue to be favourable, there is every reason to expect—as the I.M.F. does—an extension of non-discrimination, a weakening of the structure of bilateralism, and, thus, a further extension of de facto, if not de jure, convertibility.

The Fund's general policies regarding the use of its resources have been maintained without change. Unless there are overwhelmingly strong reasons for not doing so, the Fund invariably grants members' requests for gold tranche drawings. More substantial assistance is available in case of need to countries that are pursuing policies consistent with the objectives of the Fund; the larger the drawing in relation to a member's quota, the stronger is the justification required of a member. "Should the need arise", the Fund says "and should the justification be substantial, members need not doubt that drawings on subsequent tranches will be permitted. Foremost among the developments that the Fund foresees as justifying liberal approval of such drawings are transactions in support of the establishment or maintenance of convertibility.....in the formulation of national policies in relation to convertibility, the Fund's resources can confidently be regarded as important supplement to members' reserves." The Fund is now in a more liquid position than it has been for some time. The purchases in 1954-55 were only $48.75 million by three members. This indeed is the best indication of the improvement in reserves and payments that has been effected under the Fund's guidance which has reinforced faith in the feasibility of convertibility, though the current difficulties of sterling may give a different impression.

Haulage on the Railways

WHILE the problems of railway expansion during the next five years are still in the melting pot, the Railway Ministry, somewhat belatedly, seems to have given thought to the existing scope for improvement in goods haulage. At a conference between the Railway Board and the Chief Operating Superintendents of the zonal railways a month ago, the officials were daring enough to consider improvements in goods train operation so as to increase carrying capacity by about 15 to 20 per cent from November next. This follows a situation which has by no means been happy in recent months. Pitheads stocks of coal have continued to accumulate while many industrial units have complained of a precarious wagon-to-boiler position, especially in areas beyond Moghulsarai. There have been difficulties in respect of other raw materials and finished goods as well. In spite of increased loadings, outstanding registrations in terms of wagon loads had increased from 59,247 at the end of March 1954 to 89,413 at March-end this year. When unscrupulous speculative activities further add to the complications of the situation, the difficulties caused to genuine demands are best imagined. It is no solution merely to lay blame on such activities for the shortage and in such cases, as the Railway Corruption Enquiry Committee has pointed out, the temptations offered to the railway department officials have also often been involved.

With the increase in the tempo of development expenditure, there can obviously be no relaxation of this pressure on transport and execution of projects in all sectors can be greatly hampered by transport delays. Though agricultural production in 1954-55 indicated even a very slight fall from the previous season's levels, food movements have registered an increase of 8.8 per cent on the broad gauge, and 6.6 per cent on the metre gauge, over the previous year. In the first half of this year the tonnage lifted on the broad gauge was higher by 7.4 per cent over the corresponding period of 1954, while on the metre gauge it was still higher. But unsatisfied demands which have outstripped these improvements reveals something of the bottlenecks that will emerge in due course.

But to the extent to which there have already been improvements, the Railway administration would deserve a word of praise. During 1953-54 the Indian railways moved about 98 million tons of goods traffic and in 1954-55, an increase of about 9 per cent was estimated to have been achieved. If current expectations materialise, the volume of traffic to be carried may well reach a level of 120 million tons in the current year, involving an increase of about 12 per cent. An increase at this pace has not shown itself yet but may well be expected at the commencement of the busy season in November, for which the railway officials have now attempted to prepare in advance. This is also the average rate at which the railways will be under an obligation to increase their carrying capacity in the next five years. At a conservative estimate, the additional traffic at the end of the Plan is expected to be about 181 million tons, or 50 per cent more than the present level. Coal alone will account for more than a third of this additional traffic but the proportion of the rest of the traffic which will be offered must inevitably rise with the transport demands of the steel industries. Something of the urgency of the problem can be appreciated from the fact that a proposal has been seriously discussed whether a third steel plant should be staggered in view of the severe strain on transport, apart from the paucity of technical personnel for steel manufacture.

These considerations have already drawn attention to the necessity for taking a favourable view of the revised proposals of the Railway Ministry on the second Five-Year Plan. The moral of the present position is that the system has gone as far as it could conceivably go on its own strength and the relatively low priority set for it under the first Five-Year Plan. Even in the matter of the congestion in the main junctions, in which there will always remain some scope for effective scrutiny of reasons for bottlenecks, there is shown a steady, though slow, improvement. The daily average number of wagons passing through Moghulsarai from Eastern to Northern Railway has increased from 1,347 wagons in 1951 to 1,535 wagons in 1954 and to an average of 1,640 wagons in the first half of this year. When the additional scope for the increase of 15 to 20 per cent during the rest of the year is also explored, the rest of the improvement can only come with the additional rolling stock which will arrive in excess of the immediate needs of replacement.

The potential capacity of indigenous production of goods wagons in the 1956-57 rolling stock programme is estimated between 15,000 and 16,000, distributed among eight firms which have been supplying goods wagons to the Indian Railways of several types. Two years ago, this indigenous capacity had been assumed to be only about half this figure and before the Engineering Capacity Survey Committee's Report saw light, the available unutilised capacity became used up. Even so, orders on the first year of the second Five-Year Plan will be more than double this larger wagon production in India. The issue of augmenting the rolling stock is too often equated with the existence of local capacity. It is possible that this helps to compel a search for agencies which can undertake local building, like the one which has now revealed the existence of double the old assumed capacity. But at the moment, orders for railways cannot be too much dependent on these considerations. There is also the secondary consideration that even if there is building capacity, the shortage of steel cannot be relieved except with large-scale imports. There is no longer a buyers' market in steel. The most expeditious course would be to place orders abroad to the extent of the deficiency in current indigenous capacity, without staggering the orders.

Some of the routine improvements, now effected as a consequence of the recommendations of the Railway Corruption Inquiry Committee will help. The uniformity in the booking of goods, the elimination of the abliguities in the classification of goods and augmentation of goods shed facilities at important stations will alleviate existing hardships to industry and business. There has been, in all, a growing interest in the importance of railway transport as the key to development that there will be no repetition of the low priority accorded to transport in the first Plan.

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B. 27

THE WEEK'S NOTES

THE SUPREME COURT ON SALES-TAX

THE SUPREME COURT, in overruling its own decision on sales-tax on inter-State trade, has chosen not to follow the convention attributed to the Privy Council that it cannot overrule its own decisions. In this respect, the Supreme Court is in the same position as the United States Supreme Court which has reversed even its long-established decisions, the most outstanding case being the recent ruling on segregation laws. But one consequence of such reversal will be that some uncertainty will be caused in the public mind about the state of the law when conflicting verdicts follow in such quick succession as in the sales-tax case. In the present case, the Supreme Court's judgment was based on a majority of four (against three Judges, who have given dissenting views) and it is quite likely that in another later test of the same point, a different composition of the Bench would again lead to a different if not a wholly opposite view, The only moral of this judgment is that Parliament should take the earliest opportunity to clarify the legal position instead of leaving it to be settled by this uncertain judicial interpretation.

There can be no doubt that a prohibition of taxation of articles which enter in the inter-State commerce will be welcomed with great relief in business circles which have recently been subjected to unnecessary harassment by several taxing agencies. It is unlikely that State Governments would agree to a convention which cannot be reinforced by constitutional law. So long as the explanation of Article 286(1) stands in its present form to the effect that a sale or purchase shall be deemed to have taken place in the State in which the goods have actually been delivered for purposes of consumption in that State, it would be difficult to prohibit State Governments from further agitating their prima facie right to tax.

IRRECONCILABLES IN CYPRUS

THERE WERE all the reasons for the failure of the Cyprus conference. The expected has happened and the tiny island represents an embarrassing question mark. Had the tripartite conference succeeded only in making the three parties understand the widely divergent views held by each, it would have been surprising. The Greek demand of self-determination for the Cypriots and the Turkish desire to maintain the status quo or else to revert the little, yet strategic, island to Turkey on the flimsy strength of a 20 per cent minority of Turkish-speaking people, are irreconcilable. The British Government has repeatedly made it clear that it does not visualise the relinquishment of sovereignty over Cyprus which it has held under trust since 1878. However, it proposed to introduce a new and liberal constitution in which the government would be progressively transferred to the Cypriots, excluding foreign affairs, defence and public security, which would be reserved to the Governor. How far this measure of reform meets the acceptance of Cypriots remains to be seen.

Meanwhile, the suspension of the conference has aggravated the intensity of bitterness between the two traditional rivals, Turkey and Greece. Already, there has been fierce anti-Greek rioting in Istanbul and other cities of Turkey. The British decision to seek the participation of the Greek and Turkish Governments to search for a solution of the problem, excluding the Cypriots themselves, may seem to have been conceived with the idea of beating the restive Greeks with the Turkish stick. But they failed to anticipate the grim consequences that were bound to follow. One of the disastrous effects of the failure of the talks may be that the one-year-old Balkan Alliance between Yugoslavia, Greece and Turkey, which was conceived as an extension of the Atlantic Community, is powerfully shaken. Notwithstanding the Greek apprehension of Soviet expansion, the air is thick with the talk of reviving the Little Entente which will include Rumania and Bulgaria. It is possible that if the British Government had taken a more independent course, matters would not have taken this awkward turn. The strategic position of Cyprus and the contribution of the British military headquarters in the island towards maintaining peace in the region is recognised. Primarily it is the British Government that is responsible here, and it must find a solution which may be acceptable to the Cypriots.

WORLD BANK FORGES AHEAD

THE TENTH annual report of the International Bank for Reconstruction and Development highlights, among other things, the remarkable growth of the Bank's operations during the fiscal year July 1954 to June 1955, when it made loans to 14 countries totalling the equivalent of $410 million more than in any earlier fiscal year. Lending since this international organisation began operations now totals the equivalent of $2,324 million in 37 countries. The Bank's net earnings in 1954-55 reached a new record figure of $24.7 million, and reserves rose to $184 million. At the end of the year under review, the Bank had 56 members and a subscribed capital of $9,028 million. As in earlier years, the bulk of the Bank's loans went to finance improvements in the basic services which form the essential foundation for economic expansion.

The geographical distribution of loan expenditures reveals the fact that, as a result of the dollar aid received from the Bank, the recipient countries, especially those in Europe, have attained a significantly better position to export both capital and capital goods than in the early post-war years when practically every country in the world depended on the United States for the supply of capital and capital goods. Taking the cumulative loan expenditures of $1,680 million (up to June 30, 1955), it is found that as much as 58.5 per cent was expended in the U.S.A., followed by 32 per cent in Europe, 5.1 per cent in Canada, and 0.2 per cent in Asia. But in 1954-55, out of $274.2 million granted, expenditure in Europe accounted for as much as 48.8 per cent, as against 47.1 per cent in the United States. That Asian and African countries continue to be the largest importers of capital goods is obvious from the pitifully low percentage of the loan expenditure in these two regions.

An important function of the Bank has been to give advice, upon request, on general development problems even where they were not directly related to Bank investments. Thus, during the year under review, it continued to provide its members with advice and assistance on individual development problems. Survey missions were sent out to Japan, Nigeria, Malaya and Syria. Particular mention is made of its continued collaboration with India and Pakistan in devising ways and means of increasing the irrigation use of the Indus system of rivers, although it is to be regretted that no permanent agreement has been possible owing to the non-co-operative attitude of Pakistan.

Convinced as it is that the greatest obstacles to economic development are not financial but lack of

experience in planning, administration and management, the Bank has done well in organising an Economic Development Institute which will serve as a staff college at which officials from the less developed countries can participate in the Bank's study of development problems. The tenth report also reveals the substantial progress made in the setting up of the International Finance Corporation of which India has decided to become a member.

ADENAUER'S MISSION TO MOSCOW

THE RESTORATION of sovereignty to West Germany, followed by Chancellor Adenauer's visit to Moscow to discuss for the first time cultural, economic and diplomatic relations as also reunification of East and West Germany, mark a significant change in the European political scene. Hitherto, the problem of reunification was dealt with only by the Big Four, and though the prerogative has not been surrendered, and the issue will be discussed at the forthcoming Foreign Ministers' Conference in Geneva, the recognition of West Germany as the principal party indicates a change in post-war relations. This may not necessarily mean that the outstanding issues discussed between the West German Chancellor and Soviet authorities will be easily solved. Dr. Adenauer wants reunification of Germany through free elections and her continuance in the NATO. The Russians want not only Germany to be out of NATO, but also ultimately its dissolution, and insist on the unification of the two zones through direct dealings between them. Thus, there did not appear to be much, except the relatively minor issues of prisoners and mutual representation in either capital, that could be tackled with any measure of success. The present trends in the talks indicate that, with both sides holding firm to their respective positions, no important agreement, much less one on unification, could emerge. The wholly needless misunderstanding over Dr. Adenauer's reference to Russian troops has made it appear that the German Chancellor was approaching the problems with mental reservations.

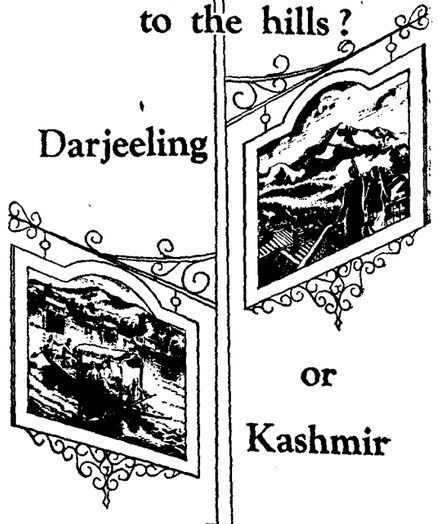
However, even if no positive results are achieved at the present time, the talks will at least provide time for useful exploration. They will establish a contact, and the door will be kept open for future talks, if necessary. Though the attitude of the Soviets at Geneva points to the fact that they may not be ready to make any concessions in this question, yet the present Russian stand is worth testing further. This is primarily the function of the Foreign Ministers meeting at Geneva, and the Western three will have the benefit of knowing the line of thought of Russian leaders at their exchange of views with Dr. Adenauer at Moscow on the issue of reunification.

SINO-U.S. AGREEMENT

THE CHANGE in the political climate that was brought about by the Big Four meeting at Geneva is yielding good results, and the recent U.S.-Chinese accord, after prolonged discussions, on repatriation of civilians and release of prisoners is one such. Nevertheless, the value of the agreement will be in its being respected and implemented in the spirit in which it was signed. The assistance of the two "third Powers", India and Britain, can be effective only if the principal parties give their co-operation. India has comparatively a more difficult task to perform and she may not like to be involved in an embarrassing position as in Korea. The present encouragement, however, may make it a good deal less difficult to search for further solutions of the more difficult problems that remain to be solved. More than anything else, direct discussions between representatives of the two countries have been instrumental in bringing about this amicable settlement. It is a vindication of the stand taken by India that if free and frank talks are arranged, it may be possible to resolve differences over major issues.

Broadly, the Chinese have been demanding their proper place in the United Nations, abolition of embargo on the export of strategic goods to China and withdrawal of the American fleet from the Formosa Straits. Recently, there has been a change in the moods both in Washington and Peking, and they have now agreed to try to find a peaceful solution to the problem of Formosa, where, the danger of war has receded for the present. The discussions hold out the hope that at least relapse into crisis will be prevented.

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United States Government Securities and Securities Guaranteed by the Government	2,241,000,424.34
Federal Agency Securities	173,596,191.18
State, County, and Municipal Securities	590,106,961.58
Other Securities	109,285,913.01
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,252,410,322.99
Other Loans and Discounts	3,049,681,759.30
Accrued Interest and Accounts Receivable	50,756,654.10
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	90,437,247.09
Other Real Estate Owned	1,884,091.63
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	231,605,567.34
Other Resources	2,764,055.93
TOTAL RESOURCES	$ 9,248,087,971.63

LIABILITIES

Capital	$ 150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits	122,206,954.85	
Reserves	5,647,746.64	
TOTAL CAPITAL FUNDS		$ 477,854,701.49
Reserve for Possible Loan Losses		66,752,053.04
DEPOSITS Demand	$ 4,160,622,659.36	
DEPOSITS Savings and Time	4,229,974,345.42	8,390,597,004.78
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		233,983,923.42
Reserve for Interest Received in Advance		41,093,906.31
Reserve for Interest, Taxes, etc.		29,806,382.59
TOTAL LIABILITIES		$ 9,240,087,971.63

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RESOURCES

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United States Government Obligations, direct and fully guaranteed	33,490,138.62
Other Securities	8,739,182.00
Loans and Discounts	64,439,678.74
Accrued Interest	300,962.61
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	47,905,803.73
Other Resources	536,612.65
TOTAL RESOURCES	$ 195,680,350.55

LIABILITIES

Capital	$ 10,000,000.00
Surplus	4,000,000.00
Undivided Profits	417,306.32
TOTAL CAPITAL FUNDS	$ 14,417,306.32
Reserve for Possible Loan Losses	830,295.53
Deposits	131,652,827.07
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills and Notes	48,071,449.52
Reserve for Interest Received in Advance	139,149.84
Reserve for Interest, Taxes, etc.	578,922.27
TOTAL LIABILITIES	$ 195,680,350.55

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A Window on the World

GOA, MARSHAL TITO AND NEUTRALISM

By

ODYSSEUS

IF THIS COLUMN serves any useful purpose it is because it is ready to explore unorthodox views, to offer food for reflection and to stimulate public debate. The friend who offers you unpalatable advice at least proves his sincerity by his willingness to risk your friendship, and if you disagree with his attitude, at least through the effort to refute him, your own mind should be clearer about your aims.

Which brings me to Goa.

India is in the later and more critical, close-to-war, stages of a quarrel with Portugal. We reject the use of force. We refuse to send in the Indian army to annex Goa. In view of our proclaimed international policy of neutralism, in view of our condemnation of power politics and of our refusal to join one bloc or another, because this, we urge, would promote violence and war, of which (we tirelessly tell the power blocs) we disapprove on moral grounds, we are right to refrain from doing what we could do inside of a week: blow the Portuguese army in Goa into the sea. If we were to do this, the indignation and cynical laughter that would burst from the chancelleries of the world's seventy-four diplomatically represented nations would rob us of the prestige that we have acquired and would end our power to influence world events. Every time that an Indian delegate rose to chide the power blocs for their war-like tendencies, his remarks would be drowned in roars of laughter and ironical cheers.

But if we reject force, we must equally recognise that the continuation of satyagraha is full of disagreeable possibilities—war very much included. If maintained on the scale hitherto practised, satyagraha is unlikely to lead the Portuguese administration to abdicate. They would regard the shooting down of a number of invading satyagrahis every week as a regrettable necessity, not as an argument for quitting Goa.

It must also be recognised that the outside world does not see these incidents in the same light as we do. To us, satyagrahis are peacefully risking their lives in a just cause. To many in the outside world, they appear as people gratuitously crossing an international frontier with the maximum provocation who must expect to be treated as would illegal entrants across any other frontier. It follows that the continuation of satyagraha is likely increasingly to undermine India's prestige abroad and therefore her power to influence international affairs. Is this what we want?

A ROAR OF PROTEST

At this point I hear a roar of protest. But India's cause is just, you are exclaiming passionately. Are we to give up our rights simply because foreign powers refuse to recognise their justice? I reply that I am taking care not to get involved here in an argument as to who is right, who wrong, in the Goan quarrel, because while I do not say that the question of moral right is unimportant, I am at present solely concerned to debate how to end the quarrel, and while before a court of law the determination of who is right, who wrong, decides the verdict, Goa is a quarrel not between individuals but between sovereign states. It can therefore be solved only by diplomatic negotiation or by war. It is not a juridical but a political dispute. In other words, it is less a matter of ascertaining and upholding legal rights than of finding a tolerable adjustment in the relations between two states, and while, I repeat, justice and moral right are important factors in international relations, other factors, prestige, internal political repercussions, personalities, and rivalries between political parties, also count. To ignore these is disastrous. The problem is not to find a just solution of the Goanese problem but a politically practical one. How?

The divergence of views between the U.S.A. and China over Korea and Indo-China looked at various moments in 1954 (Remember "massive retaliation"?) as though it must end in war (See, e.g., this column "Indo-Chinese Retrospect", January 28, and "Eisenhower Sees the Point", February 4). Thanks to the initiative and mediation of Anthony Eden and of Pandit Nehru, war was avoided. Now while it is certain that one or the other, the U.S.A. or China, had more right on its side, it is equally certain that Eden and Nehru's representative, Krishna Menon, were at immense pains to keep off such dangerous and profitless ground. They concentrated on pointing out the disadvantages of war to each side; they stressed the advantages of peace to the interests of each; they suggested various initial steps that might ease tension and edge towards—not a just but—a political solution. In the comparatively relaxed atmosphere that has followed the recent Geneva atomic and summit talks, we forget the tensions of 1954 and the gradual way in which they were eased.

The solution of the Goanese deadlock lies in finding a neutral statesman who can reason quietly behind the scenes with Portugal and India, in terms of political expediency.

To the Portuguese, he could suggest that time is on India's side. If the Portuguese cling to the status quo, the Goans, suffering from India's economic blockade, knowing that in any contest between India and Portugal, the Portuguese have neither the power nor the resources nor the allies to ensure victory, knowing that no western nation could, in view of the need to maintain friendship with India and Asia in the present state of relations with the Communist bloc, go to the aid of Portugal—in such circumstances the Goans must sooner or later rise in desperate revolt against the Portuguese in order to end an intolerable situation. Such a revolt could not be put down because it would attract continuous unofficial help from Indians, and it might easily force official Indian intervention. In which case, what would Portugal have gained by her intransigence? If Goa is a matter of prestige for Portugal, how will her prestige be raised if she is thrown out? If the British had been thrown out of India, would their prestige be higher than it is today?

RISKS OF REVOLT IN GOA

Portugal, moreover, has a stake in the survival of the free world, of which India is—despite her neutralism—one of the bastions. To allow Goa to erupt into

a crisis would profoundly muddy the waters of Indo-Western and Asian-European co-operation. What glee there would be in Moscow!

To the government in New Delhi, our neutral statesman could suggest that *while time may indeed* be on India's side, it is by no means certainly on the side of the existing government and the party in office there. Every fresh Goanese shooting increases popular anger, renders Pandit Nehru's policy of non-intervention more difficult to sustain, and allows the initiative to slip increasingly into the hands of his political opponents. Has the Congress Party forgotten the general election looming ahead? *If so, the Opposition has not.* If the government watches a revolt break out in Goa, watches the slaughter of scores or hundreds of Indian volunteers who offer aid to the Goanese either by satyagraha or by actual fighting, and *if it were to* withhold the support of the Indian army, whose intervention could be justified as minimising the danger of large-scale civilian slaughter, the government would imperil its internal political future. Abroad, its prestige would be tarnished: it would (rightly or wrongly) be blamed for initiating or for not stopping the series of satyagrahas that had ended in revolt and in blood. If Goa becomes Indian amidst violence, *what happens to* India's moral influence in London, Washington, Paris, Moscow, and Peking?

India, too, has her stake in the survival of the free world. *To allow Goa to erupt into an international* crisis would confuse public opinion in the East and in the West by gratuitously creating a new East-West antagonism. What congratulatory cables would flow *between Moscow and the Communist Party of India!*

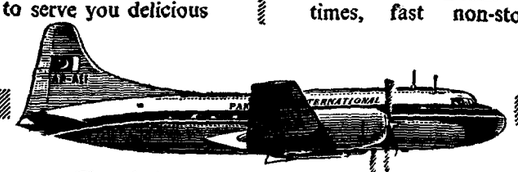
As long as Goa is discussed in terms of right and justice, intransigence must increase in India and in *Portugal and there can be no solution but in blood* (shed righteously for the sake of justice, no doubt—a culmination which some will think ironic as far as non-violent India is concerned). *But if the External Affairs Ministry in New Delhi will treat Goa as an exercise* in international relations of the kind so brilliantly performed by Mr. Krishna Menon in 1954, tension will decrease and means will be found in the course of *patient diplomatic negotiations* to solve the problems of prestige involved on both sides. Does the prestige of Mr. Khrushchev and of President Eisenhower stand lower after the easement of the summit talks than it *did when the two blocs were at daggers drawn in 1954?*

The immediate problem is to find the right statesman to bring India and Portugal together in confidential talks. He obviously cannot be chosen from a colonial power or from an ex-colonial territory. Is this an opportunity for Marshal Tito to explain the principles of the panch-shila to India and to Portugal and to spread the area of neutralism a bit? He enjoys the trust and respect of Asia and of the West and his own international situation is such that no one has a keener or more subtle appreciation of the necessity of peace. Over to you, Marshal!

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PAKISTAN INTERNATIONAL AIRLINES

PIA/G/11

In the Valley of Decision

A PRIZED SCHEDULE

"NAMASTHE, M. P. Sahib. That was a pretty strong speech you made the other day in the House on the Press Commission Report."

"Oh yes, rather. I had to speak, you know, having caught the Speaker's eye. One is never certain whether the Whip or the Chair will crack down at the last minute on one's ambitions. By the way, I observe, you are taking a keen interest in parliamentary debates, from the galleries. Apparently a keen citizen, with a good lot of time too. A retired officer?"

"Quite so, Sir. You seemed to know all the tricks of this press business."

"Not so well, I am afraid. But one hears so much about them."

"But you certainly spoke with great conviction."

"I did, of course. I had to do my bit for the working journalists, those smart young fellows you run into, in the corridors and public gatherings. Very knowledgeable too—a pity they are sweated by those press lords."

"True, true. So are our teachers, though they somehow fail to become a live political issue—I know not why. But I was rather thinking of the price-page schedule. You think it will really deliver the goods? You almost said so in the House."

"I do. Actually I do not see why it should fail to do all that is claimed for it."

"Do you feel convinced that the small paper will be prevented from being wiped out by competition from the big newspapers?"

"I wouldn't be categorical, you know. But that is what most of the small newspapers seem to think. They must know their business better than I can hope to."

"So the opposition has come almost entirely from the big guns?"

"Yes. That's what we are being told. The big barons, as they say, are annoyed that they cannot give more pages at less cost to beat down the smaller men."

"But isn't all this a question of whether you want competition in services offered to the reader or not?"

"Not precisely. Let the big newspaper improve its competitive power by showing better quality in the restricted pages."

"That's easy to say. But you know most newspapers depend on advertisements for the bulk of their revenue. Anything which restricts their pages might affect these revenues and indirectly their financial capacity to improve quality."

"That is part of the intention, of course. It would prevent the big papers from cornering all the advertisements."

"But the small papers may not necessarily benefit by such advertisements being diverted to them. After all, the advertiser, too would wish to get value for his money."

"I realise the possibility. There is always the danger of the big papers charging more for less space and continuing to get the same share of total advertising revenue, if the advertiser continues to prefer them, like the London "Times", for example. There we are in a sense helpless. But one can only hope."

"In that case, M. P. Sahib, the net result may only be to deprive the reader of more pages."

"My dear friend, isn't it an illusion for the customer to believe that he is better served by more pages? I admit, though, that M.Ps. are more fully reported when there are more pages."

"Isn't that for him, who pays, to decide? If you assume that a big competitor can, by increasing the pages, offered for the same or a lower price, beat down the little man, then there is apparently a consumer preference for extra pages."

"You are too logical, indeed. I am afraid, I must refer you to the Report of the Press Commission for clearer answers. But I believe that increased pages are offered just as an excuse to consume newsprint, which can always be resold at a high price."

"You mean, the housewife decides what paper her husband buys, according to its bulk value for the kabadi?"

"Not exactly. Newspapers often print large numbers of copies to claim a large circulation for purposes of advertisement and then it pays them well to dump the unsold copies on the junk market for old newsprint."

"I have heard of that too. But that can be done by the aspiring smaller papers too in their initial stages, unless, of course, they are financially too precarious even to afford the working capital. But my question is, why should a young newspaper be prevented from making its mark by providing wider coverage, by being compelled to raise its price with every addition to its pages, thereby defeating its own plans?"

"I wouldn't know the right answer to that one. But I believe that in the U.K. where there is price-page schedule, it is working out all right. In fact, when the Government recently decided to lift the price-page schedule, the big papers wanted it should remain."

"Why? Aren't foreign papers more enterprising in their competition than ours?"

"Well, you see, a price-page schedule stabilises the price and supply of newsprint and of the advertisement revenue so that the mass circulation papers know where they stand, especially when labour costs are rising."

"You mean then that our big newspapers also would similarly benefit and that far from being restrictive, a price-page schedule would profit the big newspapers too?"

"Looks so, indeed."

"Then, surely it is wrong to say that the small paper is being protected against the big, by disabilities being imposed on the latter?"

"I only mean that our big papers have little to complain. They can profit by the British example and stop making all this fuss."

"I thought that the charge against them was that they are too smart and cunning in working for their advantage—not as dense as you now imply."

"Not dense, really. But I can't understand it all."

"Perhaps, M. P. Sahib, there is a difference. In a country like Britain, there is not much scope for new circulation. But things here are very different. There is a vast new market to be tapped."

"That's a good point, I admit. It didn't strike me, though. But we also had a price-page schedule four years ago and it wasn't too bad."

"It was a special case then. There was a serious newsprint shortage all over the world. That's not a good precedent for normal times."

"We can always abandon it similarly when we find things are not moving well. Once the rule is there, we can always debate and ask questions about it in the House—which we cannot do now."

"You mean it extends the area of Government and hence of Parliament's activity also?"

"Certainly. That's a great gain."

"Thank you. I must now say goodbye."

LEO.

BOOK REVIEW

CHINESE THOUGHT

Chinese Thought—From Confucius to Mao Tse-tung: H. G. Creel: Eyre & Spottiswoode: 21sh.

For a long time to come yet the majority of us cannot hope to get unbiassed, wholly objective, pictures of China or Russia. It is a safe bet that, notwithstanding Mr. Khrushchev's disarming invitation to journalists and others to come and see "for yourself", those who go to Russia will not see all that they would otherwise like to. No such invitations are held out from behind the Bamboo Curtain but recent Indian cultural delegations have come back from China full of praise for what they saw.

But there is one important difference between China and Russia. One can speak of "Chinese Thought" meaning thereby 'Thought". Thinking is very much in the Chinese blood. The same cannot be said of the mass of Russians. At the very outset, Prof. Creel makes a list of general misconceptions about China and refutes them. One, for example, that "the Chinese can't fight." He says, "We have learned about that in Korea. We should have known better all along, if we had known Chinese history." "Another idea, even more widespread", he goes on to say, "is that except for a few scholars, the Chinese people are a mass of illiterate and, mentally almost inert, people who neither know nor care what goes on in the world at large, or even in China as a whole. Among them, it is supposed, such a force as 'public opinion' could hardly be said to exist, except as the masses are told what to think by the bureaucrats who dominate them....I am ashamed to say that as a young man, before I had lived in China, I shared this impression. I am ashamed of it because, as a student of Chinese culture, I should have known better. I knew that before the dawn of the Christian Era, some sons of peasants, in China, were studying philosophy, and that it is more than two thousand years since an erstwhile swineherd was made prime minister of the Chinese empire, supposedly because of his mastery of one of the classics. I also knew that for most of the time, during the last two thousand years, many of the highest officers in the land have been filled on the basis of competitive examinations, open to almost every male. While success presupposed a formidable education, it occasionally did happen that a man who had once followed the plough achieved a place of the greatest eminence." This is the premise with which he sets out to make a survey of Chinese Thought from 1400 B.C. to the present day. Of course, the ideal age in which peasants had only to wash their mud off before they were invited to occupy the throne came much later. One of the verses in the Book of Poetry (from the period of the Chou dynasty, about 1000 B.C.) says: "The common people are contented, for every day they have enough to drink and eat." At that time, the distinction between the feudal aristocracy and the masses was well marked. A Chou king, or queen, might well have asked when told that the people were starving because they had no bread, "Well why don't they eat cake?" And, according to this same Book of Poetry there were famines then.

But there is one pattern of Chinese thought which has remained unaltered from those distant days of the Chou reign to the present. This was the doctrine of the decree of Heaven. It was Heaven which chose the Chou king. Ever since, every rebel leader claimed possession of "the decree of Heaven." And, Prof. Creel says: "as late as our own century, the revolutionary party of Dr. Sun Yat-sen was at one time called 'The Association for Changing the Decree.'"

It was Confucius who taught that men, while having a duty to society were individuals first and that one must neither be a recluse nor follow the crowd. The idea of li (what is proper to be done: a simpler form of Pancha Sila, so to say) had existed before his time, but Confucius made it into something more than mere ceremony, ritual and sacrifice. Quality against quantity, was his ideal. The measure of a man's life is not "how long" but "how good." Himself born into a humble family Confucius set out to make gentlemen out of the common man. He believed in an intellectual democracy but not in the sense it is interpreted by totalitarian regimes. You cannot democratise Intellect. According to Prof. Creel: "Confucius believed that humanity could find happiness only as a co-operative community of free men. But men cannot be free while forever following a star pointed out by another."

Mencius (372-289 B.C.) who was born of a noble parentage continued the Confucian tradition. He spent his life-time looking for a Prince who would make him his Chief Minister and though he was a sort of "consultant" minister in the State of Ch'i he was never entrusted with administrative duties. He too asserted the aristocracy of the Intellect. "There is a nobility of Heaven" he said. "and a nobility of men." Again, "Those who counsel the great should despise them, and not look at their pomp and display." His chief postulate was that virtue brings success.

And so we come to Lao Tzu so-called because it was written by Lao Tzo Old Master which emphasised non-action and quietness. A sort of totalitarianism (in thinking) set in with the Lwgalists. One of them, Han Fei Tzu, said that power and force were the only things that counted and he lamented the fact that ordinary people disliked War. He suggested that the life of the ordinary man should be made so hard that he would welcome War as release.

Then through the eclectics of Han, and Buddhism, and Neo-Confucianism, we come to the seventeenth century when some Jesuit influences had filtered through to China. According to Prof. Creel the Jesuits transmitted to Europe some revolutionary ideas from China and if "the development of such equalitarian ideas as were given concrete form in the French Revolution" were not directly inspired by China at least China did act as a catalyst.

Ku Yen-wu (born 1613) gave concrete form to the revolutionary thinking that was current and he questioned the right of monarchs to rule. A more revolutionary figure was Yen Yuan (1635-1704) who as a boy had to work for a living in the fields and later had to support himself by practicing medicine and giving tuition. He despised intellectuals, was all for action. And so on to Sun Yat-sen who asserted that: "What we need to learn from Europe is science, not political philosophy. As for the true principles of political philosophy, the Europeans need to learn them from China."

In analysing the present conditions in China the author explains why the Chinese "Hate America" campaign has succeeded so well. He says: "The Russians have not asked the Chinese to discard their own culture and replace it with that of Russia. Instead they have invited the Chinese to join with the Russian and other peoples in adopting what is claimed to be a new order of economic, social and political justice, to be founded on the premise of complete equality among all nationalities and races."

By his survey the author helps us to understand that the Chinese masses are different from the Russian masses, that the former do question and rebel against authority. They have rebelled before. They may do so again. Whether we like Chinese Communism or not we can understand why the majority of Chinese have accepted it and why they can equally well reject it some day.

WORLDGRAM

AGRICULTURE

Rise in Sugarcane Production: Production of sugarcane in India has shown a substantial increase at 5,500,000 tons (in terms of gur) in 1954-55 as compared with 4,600,000 tons and 5,300,000 tons in the previous two years, respectively. The output was higher at 6,100,000 tons in 1951-52, the first year of the Five-Year Plan. Official statistics show that of the country's total cane production generally 20 to 25 per cent is used for the manufacture of sugar, the balance being utilized for making gur and for miscellaneous purposes. The value of cane consumed by the sugar industry is of the order of Rs. 45 crores. Under the second Five-Year Plan the target for sugarcane has been provisionally fixed at 7,500,000 tons by 1960-61.

*

Kenaf Production in Mexico: Though relatively small at present, production of kenaf in Mexico is still larger than in any other country in the Western Hemisphere. According to reliable information received by the Indian Central Jute Committee here, some 3,400 acres will be planted with kenaf in the current year, with a tentative forecast of production at 5,500,000 lb. Rapid expansion is probably during the next few years. Production in 1954 was reported at close to 2,844,000 lb. from about 1,630 acres, compared with 3,748,000 lb. from 2,270 acres in 1953. Price of kenaf fibre was reported as favourable to producers. Exports were small, and all to the U.S.A. About 60 per cent of Mexican production is reported to be used in the making of bags and the remaining 40 per cent in such products as cotton-bale wrapping, cots, twine, oakum, and in wrapping bolts and textiles.

*

Rise in Madras Cotton Acreage: The area under cotton in Madras State in 1954-55 is estimated at 871,000 acres. Compared with the finally recorded area of 859,000 acres for the previous year, this represents an increase of 1.5 per cent says the cotton forecast report for 1954-55. The average area for the previous five years was 784,200 acres representing an increase of 11.2 per cent over the years of estimated acreage. An increase in area is estimated in all districts of the State except in North Arcot, Malabar, South Kanara and the Nilgiris. The yield per acre is estimated to be slightly higher than that of last year.

INDUSTRY

Burma Government to Set Up a Paper Mill: The Burma Government is to set up a paper mill with the collaboration of Fisher-Hattis Engineers Ltd. of the U.S.A. The mill will be erected in Arakan division. Construction work will begin in November and the mill is expected to be in production in 1958. A Japanese firm was also asked to make a survey and an Indian expert was engaged to advise the Burma Government in his private capacity.

*

Electrodes for Metal Arc Welding: The draft standards, relating to production and use of both normal and deep penetration electrodes for metal arc welding, are the first in a series of more than dozen standards and specifications which are under preparation at the Indian Standards Institution, to help in the greater development of the welding industry in India. The draft specification for covered electrodes lays down requirement as to size, tolerances and performance and specifies both the initial and periodic check tests required to ensure consistently good quality electrodes. Details of these tests and the results required to be obtained are also given.

Development of Ghani Oil Industry: The Government of India have sanctioned as an interim measure the grant of a production subsidy of Rs. 2-8 per maund of ghani oil and financial assistance in the shape of loans to ghanis organised through co-operative societies or recognised institutions. The All-India Khadi and Village Industries Board had recommended a levy of cess of Rs. 1-4 per maund on oil produced by mills in India and that the funds thus obtained should be used for developing, financing and subsidizing the ghani oil industry. It would be examined in the light of the recommendations of the expert committee set up by the Government to carry out a general survey of the oil seeds crushing industry in the country.

*

Marketing of Handicrafts: The following policy was evolved out of the Marketing Conferences organised by the Handicrafts Board and at which representatives of practically all States were present. For the successful growth of marketing it is necessary that each State should have a central emporium that would stock and sell not only its own handicrafts products but also those of other States. It should also open sales depots in other parts of the State in the districts. But for sale outside the State it should make use of the emporia of other States. Wherever such central emporia do not exist, it is hoped that early steps would be taken to set them up, with the assistance that the All-India Handicrafts Board can render in the matter. Most of the States accepted this policy.

TRADE

Export Promotion Measures: A number of measures adopted by the Government of India for promoting the export of Indian goods are:

1. Liberalisation of restrictions on export;
2. Reduction of export duties;
3. Setting up of Export Promotion Councils and Commodity Boards;
4. Standardisation of quality control;
5. Granting licences for import of raw materials required for replacing the contents of exported products;
6. Granting of drawback of import duty on imported materials used in products exported;
7. Participation in international exhibitions and fairs;
8. Opening show rooms in foreign countries;
9. Setting up trade centres and trading corporations in foreign countries;
10. Undertaking a study of the discriminatory rates of shipping freights and;
11. Trade delegations.

In addition to these measures, the introduction of an Export Credit Guarantee Scheme is under consideration.

*

Development of Trade with East African Countries: Shri D. P. Karmarkar, Minister for Commerce laid a statement on the table of the House recently detailing the steps taken by Government for promoting India's export trade with East African countries. The Statement says: In addition to the general export promotion activities sponsored by the Government of India for promoting India's export trade with foreign countries in general, the following steps have been taken in respect of East Africa:

1. An Indian Government Trade Commissioner has been appointed in Mombasa for the furtherance of India's trade with East Africa.
2. A show-room has been opened at Mombasa, where samples of a large variety of Indian manufactures and other products are on display.

3. Small trade displays are arranged for by the Indian Government Trade Commission in East African centres, other than Mombasa, from time to time.

*

Export of Indian Cloth to Britain: The Minister for Commerce, Shri D. P. Karmarkar said in the Lok Sabha that there had been a slight decline in exports of Indian mill-made cotton piece-goods to the United Kingdom during the quarter April to June as compared with the quarter January to March 1955. Imports of cotton piecegoods from the United Kingdom for the first six months of this year showed a decrease over the corresponding period last year.

*

Export of 40,000 Bales of Cotton to China: The Government of India have relased 40,000 bales of cotton for export to China. Licences would be issued to all categories of exporters who had been receiving export licences for raw cotton on a "first come first served" basis, on production of firm contracts with Messrs. China National Import and Export Corporation, Peking. These licences would be valid for shipment upto the end of this year.

FINANCE

Burma Budget: The Burmese budget estimates for 1955-56 showed a deficit on both the revenue and capital accounts of about 19.14 kyts. Increase in taxation to meet the deficit were proposed. Increasing excise duty rates on certain commodities including a 12 per cent increase on petrol and 200 per cent increase on sugar were also proposed. Excise duty on carbonated drinks and syrups would be increased by 25 per cent as these drinks were not essential items of diet. For a further period of one year the present rates of income-tax and super-tax would be continued.

*

Pak Balance of Payments: Pakistan's balance of payments for the quarter April-June, 1955, shows a surplus of Rs. 5,10,00,000 against Rs. 6,71,00,000 in the previous quarter. While total receipts during the second quarter amounted to Rs. 37,33,00,000 against Rs. 38,93,00,000 in the previous quarter, total payments amounted to Rs. 32,23,00,000 compared with Rs. 32,22,00,000 in the corresponding period. The reduction in total receipts is mainly due to shortfalls in jute exports. The receipts from jute during the quarter under review amounted to Rs. 12,81,00,00 against Rs. 19,83,00,000 during January-March 1955. Cotton receipts, on the other hand, amounted to Rs. 13,34,00,000 against Rs. 9,08,00,000 in the corresponding period showing an increase of Rs. 4,26,00,000.

*

Gold and Dollar Reserves: It was announced by the Treasury in London that the gold and dollar reserves fell by $87,000,000 during August and stood at $2,457 million on the last day of that month. Defence aid receipts from the United States during the month are estimated at $4,000,000; $36,000,000 was paid in gold or dollars to the European Payments Union (EPU) in respect of July; and $2,000,000 was paid to creditors of the Union in bilateral settlements. On the provisional figures for the month, the U.K. had a deficit of £28,000,000 with the EPU, which will fall to be settled in September, as to 75 per cent in gold or dollars and as to 25 per cent by an increase of the debt to the Union.

*

International Finance Corporation: The Government of India have decided to become a member of the proposed International Finance Corporation and Government propose to purchase shares worth Rs. 2.11 crores, according to Shri C. D. Deshmukh, Union Finance Minister. Only member-nations of the International Bank for Reconstruction and Development are entitled to become members of the Corporation.

World Bank Loan to Uruguay: The World Bank announced a loan in various currencies, mainly Italian lire and Swiss francs, equivalent to $5.5 million for increasing electric power supplies in Uruguay. The borrower is the Administration General de las Usinas Electricasy los Telefonos del Estado (U.T.E.), and autonomous agency of the Government which has exclusive right to provide electric energy and telephone service in Uruguay. The first National City Bank of New York and the Netherlands Trading Society, Amsterdam, are participating in the loan for an amount equivalent to $654,000. The participation of the first National City Bank is $300,000 and the participation of the Netherlands Trading Society is equivalent to $354,000.

MISCELLANEOUS

World Crude Oil Output: The free world's production of crude oil which has more than doubled in the past ten years is at present expanding at a rate of over 10 per cent a year. In January-June this year, it totalled about 335 million metric tons, compared with 304 million tons in the first, and with 311 million in the second half of 1954. This figure compares with less than 330 million tons produced in the whole of 1945. Beyond this, the U.S.S.R. and other communist countries produced over 39 million tons, nearly 6 million more than in the corresponding period last year. The biggest increase continues to come from the Middle East, where production rose by about 13 million tons compared with a rise in the U.S.A. of about 8 millions tons, in Venezuela of over 6 million tons, in Canada of 2 million tons and of 2 million tons in the remainder of the free world. For the first time the share of the U.S.A. in the free world's total production is now less than half; that of the Middle East is now approaching one quarter.

*

Education in N.E.F.A.: An Education Sub-Committee, with the Governor of Assam as its Chairman, has been set up in the North-East Frontier Agency to plan far-reaching changes in the present educational system in the Agency. These changes envisage the replacing of the present system of education by Basic education, use of tribal languages as medium of instruction in schools and teaching of Hindi in the Agency schools from Class I. The Teachers Training Institute at Margherita which was so long training teachers in the conventional type of education is undergoing conversion into a Basic Training Institute. Text books in seven main languages of Tuensang Division have already been prepared and will shortly be printed for use in the schools of the Division. These languages are Chang, Sangtam, Sema, Yimchungrr, Kheimunungum, Monkonyak and Phom. It is proposed to publish text books in the main languages of the other five Divisions also, following the Government's decision that teaching in primary classes should be given through the medium of tribal languages in the reformed or simplified type of Devanagri script.

*

Nepal Irrigation Projects: A network of projects intended to bring more than 30,000 acres under irrigation is underway in Nepal. These projects include not only the development of communication but provision of increased facilities for irrigation and the improvement of sources of supply of drinking water. Ever since the Governments of India and Nepal signed an agreement a year ago surveys have been carried out for a number of projects and some of them have been actually sanctioned for execution. According to the agreement of July 14, 1954, India undertook to provide aid valued at Rs. 50 lakhs over a period of four years. Accordingly work on two irrigation projects—one at Mahadev Khola and the other at Tikka Bhairav has begun. When ready, these projects will have cost Rs. 3.5 lakhs (in Indian currency) and will have added about 200,000 maunds of paddy to the supply of food in that region.

NEWS IN BRIEF

INDIAN

The amount of total foreign assistance including loans drawn from the International Bank for Reconstruction and Development expected to be received during 1955-56 is placed at Rs. 70.09 crores.

*

The quantity of gold confiscated from January 1, 1951, to June 30, 1955 on the West Pakistan border is 8,664 tolas approximately.

*

In 1954-55 India's exports to Tibet were valued at Rs. 2,71,07,000 and her imports from Tibet at Rs. 12,657,000. There had been an appreciable increase in the total trade between India and Tibet in 1954-55 over the trade in 1953-54.

*

The Government of India have placed exposed cinematograph films on Open General Licence so far as imports from Pakistan are concerned.

*

There were 136 sugar factories which were working at the end of 1954-55 in various States of the Indian Union. The total production of these factories during that year was 15.84 lakh tons.

*

The Government of India have sanctioned further grants and loans amounting to over Rs. 20 lakhs to several States and the All-India Handloom Board for the development of the handloom industry.

*

The number of Joint Stock Companies (both private and public) engaged in various industries, with a paid-up capital of Rs. 10 lakhs and above, was 1,368 during 1951-52.

*

The export duty on all articles of iron and steel was abolished in accordance with our policy of keeping under canstant review the export duties in the light of the competitive position of Indian goods in foreign markets. The loss in revenue was estimated at approximately Rs. 3 lakhs for the rest of the current financial year.

*

The total valuc of medicines purchased by the Government for the Contributory Health Service Scheme during 1954-55 amounted to Rs. 9,00,517.

*

Out of the total expenditure of Rs. 223.68 crores incurred on displaced persons up to 1954-55 the expenditure incurred on displaced persons from West Pakistan amounted to Rs. 153.39 crores and from East Pakistan Rs. 70.29 crores.

*

Only 926 third third class coaches on the Indian Railways remain to be fitted with fans. Only those third class coaches which were under 20 years of age on April 1, 1949 are programmed to be fitted with fans.

*

India exports essential oils and oil-bearing seeds etc. of an estimated value of Rs. 20 crores annually.

*

The arrears of income-tax at the beginning of the financial year 1954-55 were Rs. 169.6 crores. At the end of the year the arrears were Rs. 176.5 crores.

*

The Punjab Government have drawn a Rs. 89.23 lakh plan for the development of tourism in the State.

FOREIGN

Denmark has ratified three more International Labour Organisation Conventions. One of these sets certain minimum standards with regard to wages, hours of work and labour conditions in public works and other similar services.

*

I.L.O. has sent two French specialists to Iran for a year to help to develop small-scale industries in that country. I.L.O. now has more than 100 experts in the field under the U.N. expanded Technical Assistance Programme.

*

Eighteen countries are receiving technical assistance in meteorology this year through W.M.O. according to its latest quarterly Bulletin. The programme also provides for the setting up of meteorological services in Afghanistan and Nicaragua.

*

U.N. Secretary-General Dag Hammarskjold has estimated that it will cost $685,800 less to run the United Nations next year than during the current fiscal year.

*

Steel output in most European countries was at record levels in the latter part of the last year, according to a recent United Nations study.

*

The World Bank has made a loan of $27 million to assist in financing the construction of a power and irrigation project on the Litani River in Lebanon.

*

The United Kingdom T.U.C. General Council has called upon the Government to enquire into the structure, methods and cost of distribution coal from the pithead to the consumer.

*

The International Watch and Jewellery Fair will be held from 26th to 30th September in London. At this exhibition, first of its kind to be promoted in the United Kingdom, 150 British and European firms will display watches and clocks, precious stones, fine jewellery, costume jewellery and fashion accessories, cutlery, flatware, fancy goods and small wares. The total value of the exhibits will be approximately £6,000,000.

*

Britain's output of typewriters during the first quarter of 1955 averaged 23,000 a month, an increase of 22 per cent over the 1954 monthly average.

*

It is estimated that the world output of flue-cured tobacco during the current year will be 10 per cent more than in 1954.

*

A large scale expansion of Kenya's tea industry is planned during the next ten years. Plans include the planting of thousands of additional acres and the building of six new tea factories.

*

The profit of British Overesas Airways Corporation in 1954-55 was lower at £1,362,180 as against £2,012,792 in 1953-54. Accordingly the net surplus, after deducting interest on capital was also lower at £261,687 as compared with 1,065,397.



Special Articles

KORBA—PAST AND PRESENT

(Contributed)

THE word Korba, even to those not interested in coal, has come to acquire an altogether disproportionate significance. It has become, unfortunately and it seems unnecessarily, the verbal armoury on both sides of the ideological and somewhat unreal contest between the Public and Private Sectors. Since the private owners of Korba are quite willing to withdraw and only ask for fair compensation under the law, there really is no obstacle to the public sector's taking over. The only question is whether the public sector in the form of the Madhya Pradesh Government should deny the right of reasonable compensation using some technical, and legally untenable, loophole provided under the Mining Rules. A brief history of this remarkable coalfield will not be out of place. Even in those far off days before Steel Plants in Orissa and Central India had been thought of they appreciated that good quality coal so much nearer to the west of India than Jheria and Ranigunj would be of importance to India's economy.

Prospecting by the Dunlop brothers before the first World War and, when it was over, by their sons in the twenties proved the existence of good coal in certain areas of the field. Nearly all of their work was done on the west bank of the Hasdeo river which bisects the field, flowing from north to south. Plans were set on foot by the B.N.R. to open up a railway colliery but came to nothing in face of the 1929 Financial Crisis. There was no money to link the coalfield with the main line 25 miles away. After the second World War and Independence fresh plans were laid by Government to open up the Korba coalfield. The Railway Board drew up fresh plans for the railway line. Dr. Dunlop, eldest son of the original pioneers, a well-known diplomat and soldier came to India, gave all his plans and borehole results to the Madhya Pradesh Government, anxious that this important field should be opened up effectively by Government in terms of the Industrial Policy Resolution of 1948. In 1952 the Government decided that Korba should be opened up in the private sector. Dr. Dunlop waived his claim for compensation and was promised a Mining Lease. He negotiated with a well-known Bombay House approved by the State and Central Governments and agreed even to accept his compensation in the shape of shares to be left in India in the planned coal company.

In 1954 there was another change in Government's interpretation of the Industrial Policy Resolution. All new coal development was to be strictly in the public sector. Korba—and Dr. Dunlop—were back where they had been in 1948. In the meanwhile the Railway Board had pressed on most admirably and efficiently with the construction of the rail link from the main line to Korba village, a distance of about 25 miles, albeit up the eastern bank of Hasdeo river, to a point on the map where least prospecting had been done, most of the Dunlop work having been carried out on the west bank where the good quality Gordhewa seam had been proved.

Finally, in November 1954, the Madhya Pradesh Government cancelled their agreement with Dr. Dunlop to give him a Mining Lease—he had never been issued with a formal Lease—on technical grounds of infringing the Mineral Concession Rules, a slip neither he nor his experienced associates in India were likely to make and certainly not deliberately. The railway line is to be formally opened by the Railway Minister in November and there will be no coal to carry on it for many months, perhaps even for years. Such coal as has been proved lies beyond the mile wide Hasdeo river. Large railway bridges such as the Railway Board are believed to be contemplating take even longer to build than branch lines, even if capital cost is no consideration.

This is obviously too large a project to be handled by the private sector at this time. Indeed in the case of Korba there is much to be said for co-ordinated development such as the State with its large resources should be able to provide. Besides the State as owner of the Bhilai and Rourkela Steel Works will be the largest consumer of the Gordhewa seam with its semi-coking qualities. Then there are the Railways who would be saved much transportation of their own coal by using this westerly situated field. And the enormously thick, but very low grade, high ash Kusmunda seam, which sticks out into the Hasdeo river and has been used by the villagers all these years, could support a large Power Station with specially designed boilers.

It is, however, suggested that there are a number of facts requiring urgent consideration by the Central and the State Government, for the Madhya Pradesh Government has insisted it share with the Government of India in the ownership and development of Korba. The most urgent matter is, of course, the desirability of producing coal for the Railway Line and for the utilisation of the capital locked up in the line. The Central Government is prospecting on the east bank of the river in the hopes of picking up the Gordhewa seam. There are indications they may have found it at a depth which will certainly mean more expensive and slower mining than would be the case if they were to attack Dr. Dunlop's area on the west of the river, which coal could be brought over the river by a ropeway more cheaply than by building a bridge. If they turn out to be wrong then the pioneer's theory that the Hasdeo river has caused a great fault in the middle of the field will be upheld and there will be no alternative but to cross the river, railway or no railway.

Next in urgency is the importance of establishing whether the Gordhewa seam is really sufficiently extensive to provide reasonably economically the four million tons annually that the Planning Commission has earmarked from it. Dr. Dunlop proved enough of this particular seam—the only good one in the field that was thoroughly investigated—to justify the planning of one abortive railway colliery on 1928 standards and two equally abortive commercial collieries of 1953 vintage with a total annual output of one million tons. Unless the Gordhewa seam is conclusively proved on the eastern side of the river, then the planned target of good quality coal will prove to be hopelessly exaggerated. There is, of course, a mass of inferior coal but this, presumably, is not what the Governments concerned are looking for.

If and when the good coal is proved in the right place and in the right quantities the problem of divided control will arise which would seem to be inherent in the partnership reluctantly entered into by the Central Government with the State Government. The working of the eleven Government of India collieries with their high raising costs under the most favourable mining conditions in the country does not augur well on the production side and

aspect may be aggravated if there is to be an element of divided control. It would be a pity, indeed, if the entry of the State Government into the project, which has been occasioned by its rather odd belief that there are profits in coal mining, should result in no profit to itself unless the Central Government's steel plant is to create fictitious profits by paying more than the controlled price for its coal.

Korba would seem to be an object lesson in the field of State Enterprise for this country. If the Government decides, as it evidently has done, that Korba is to be developed by the State, then the State must get on with the job and do it better than the Free Enterprisers. The latter, it so happens in this case have more knowledge of the problem involved mainly geological, than has the State. They are anxious to supplement the facts and figures they have already made freely available by their personal opinions and knowledge. Their desire, a simple and understandable one, is to see the field opened up quickly in the interests of the country. They expect fair compensation. On the production side, too, it is possible that elements of the Private Sector experienced in coal mining might be able to help the State without the vitiation of the principle of Nationalisation.

The situation would seem to call for some sort of team approach to the solution of what should be a straightforward industrial problem. It is known that India's Production Ministry is not doctrinaire; here is a chance to show its broad outlook. The job is more important than the prestige which it carries. Let the Production Ministry find the tools which will do the job.

STATE TRADING FOR INDIA

THE public in this country is told again and again that one of the means to raise more money for financing our development programmes is for the State to take to trading. There is a school in the Planning Commission represented by Mr. Gulzarilal Nanda and others which swears by State trading, although only in selected items such as jute goods. But there is a section in Parliament, dominated, of course, by the Communists, which seems to want the Government to eliminate practically all private trading and itself step into the vacuum. Thus, in the course of discussions on Mr. A. K. Gopalan's resolution on State trading in the Lok Sabha, recently very liberal use of the now popular slogan 'socialistic pattern of society' was made to reinforce the arguments in favour of the Government undertaking trading at an early date, the implied suggestion being that State trading is an essential pre-requisite to a socialistic pattern of society.

In democratic countries—the U.K., Canada, and Australia—State trading was mostly the result of war-time scarcity of essential materials. The war-time experience of State trading, however, affords little guidance in considering the desirability of State trading, especially under present conditions; more often than not, the evidence points, and correctly so, in the contrary direction. During the war, it will be remembered, centralised buying was found to be necessary for many commodities which were in short supply, such as oilseeds, mica, shellac, tea, wool, tin, rubber and steel. These measures were undertaken mainly for assisting the war-effort and their utility should, therefore, be judged by that standard and that standard alone. It is pertinent to mention here that many of the trading schemes, necessitated by the exigencies of the war and the post-war situation, have either been liquidated or are in the process of liquidation. Thus the United Kingdom Commercial Corporation functioned only from 1940 to 1946 and the Raw Cotton Commission, which succeeded the war-time cotton control, was wound up last year. Tea marketing in Australia, which was formerly handled by a Government body called the Tea Importation Board, has since been handed back to private trade.

It is the Soviet Union that presents the most outstanding example of a full-fledged State trading system. Foreign trade in that country is conducted through a monopoly with the Comissariat for Foreign Trade controlling external trade according to the policy of the State Planning Commission. In Communist China, too, foreign trade is conducted exclusively through Government agencies.

It is necessary now to examine how far State trading is feasible in a democratic country like India. State trading has been advocated in India for two reasons: (i) to handle trade with those countries where private traders cannot operate and (ii) to mop up substantial profits allegedly being made in certain lines by Indian exporters. The second point has now assumed added importance with the Government obliged to leave no stone unturned to earn maximum foreign exchange in order to finance the various projects under the Five-Year Plan. Other arguments besides these have also been advanced in support of State trading and, presumably, the most powerful of them all is that it will eliminate (a) speculation and profiteering in export commodities; (b) counter the failure of exporters to maintain quality standards, as also their failure to develop the export trade as fully and vigorously as possible; (c) remove the various malpractices in the export trade; and (d) get over the inability of private traders under a competitive system to charge differential rates according to the conditions of demand and supply in different markets.

A purposive direction of foreign trade for promoting the best utilisation of available resources and for striking the best possible bargain with other countries with which trade agreements are entered into has become the keynote of economic policy in many countries since the breakdown of multilateral foreign trade. In Communist States especially, State handling of foreign trade is a corollary to State trading in the internal sphere and forms part of what they regard as an integrated economy. Where barter agreements are made, State trading seems to become inevitable, although barter deals with certain Communist countries have not been happy. In these cases State trading could well be limited to barter trade and need not be allowed to grow into a monopoly of the entire trade. The foreign trade of American and West European countries is mostly in private hands and is none the worse for it.

A study of India's foreign trade shows that the Communist countries have only a negligible share in it. The United Kingdom and America, on the other hand, account, between them, for nearly 50 per cent of our total foreign trade. Surely it is not prudence to adopt a form of trading which is repugnant to their normal trade policies. Moreover, State trading cannot be resorted to only for a few selected destinations and sources of supply. Being a member of the GATT, it should be remembered, India is under an obligation to accord most-favoured-nation treatment to various countries, and the adoption of State trading with respect to foreign trade with a few countries cannot but conflict with this obligation.

State trading, as mentioned earlier, has been suggested as a means of intercepting the "excessive" profits made by the exporters and importers of certain commodities. But, as the Committee on State Trading appointed by the Government of India in 1949 observes: "State trading as a means of raising revenue could be thought of only in those cases in which the benefit in the shape of additional revenue is not likely to be counterbalanced by the financial risks involved in State trading itself." Where excessive profits are in reality being made in exports, the best way to intercept such profits is through export duties and direct taxation.

The most significant piece of evidence in this sphere cannot be ignored. The Government of India's largest venture into State trading so far, namely the distribution of food grains during and after the war has not been an unqualified success, as has been brought out succinctly in a brochure entitled "State Trading in Food", published by the Employers' Association, Calcutta. The sensible conclusion drawn by the Association is that State trading in food, far from serving the interests of the consumer, has actually resulted in considerable loss to the country. On the basis that private trade works on a small margin of 10 per cent (against 20 per cent for incidental expenses and retailers' commission incurred by the Government), it is estimated that the total savings to the community during the ten-year period 1944-53 would have been Rs. 234 crores had private trade handled the distribution of food grains. This is not, however, to deny the benefit that the community derived in the form of assured, though rationed, supplies during a period of acute scarcity. The point is that Government, being so much beset with red tape and procedural delays, is incapable of taking decisions with speed and elasticity so essential for market operations. In this connection, attention may also be drawn to the Public Accounts Committee's latest report wherein it has severely castigated the Railway Board for its handling of grainshops and has recommended the early winding up of the whole grainshops organisation, which has led to a heavy loss. It is also significant that the Taxation Enquiry Commission has expressed the view that no spectacular results, purely from the point of view of revenue, may be expected from State trading over a short period. To quote the Commission, "...the best time to extend State trading would be when prices are generally on the upgrade; the present, therefore, does not seem to be an opportune time for a wider incursion in this field. Altogether, the immediate scope for increasing non-tax revenue by enlarging State activity in the sphere of foreign trade seems to be limited, at any rate, for the time being".

Mr. Gopalan's Bill relates to State monopoly in foreign trade in staple commodities like jute, hides and skins, coconut, pepper, cotton, tea, rubber, manganese, mica, coal and other metallic ores. It is highly doubtful if even a severely restricted application of State trading can at all be successful with the limited organisational talent and experience that the Government has. Meanwhile, interference with the normal channels of trade, which have established long-standing connections abroad, cannot fail to be detrimental to the country's interests. State trading involves a centralisation of trade in the hands of a single organisation, which cannot, by its very nature, be able to cater to different tastes in different markets as efficiently as private traders are able to do. State trading in commodities of which there are numerous qualities, and in the case of which demand is governed largely by consumer's preference, may be too unwieldly a task for a centralised organisation. State trading in commodities like cotton piecegoods and tea will not only be not feasible but will prove highly risky.

Imports are in no sense more amenable to State trading than exports. Under a system of decentralised and competitive imports, the importer is in closer touch with the market than a centralised marketing organisation, and the free functioning of the price mechanism affords a reliable idea to the changes in the demand and supply of various commodities and their types and supplies. The Deshmukh Committee has observed that, "in the case of a large number of commodities, the balance of advantage lies in leaving the actual volume of imports to be determined by competitive forces, subject to such limits as the State may wish to impose on imports for exchange and other considerations." Under a system of centralised buying, the function of anticipating world trends is in the hands of a single agency, instead of being divided among a number of competing traders, and that function is not often exercised effectively. The deplorable performance of some of our supply and purchase missions abroad only reinforces this point; too often, they entered into long-term contracts at prices which were subsequently found to be very much higher than those in other competing centres. In the matter of the renewal of the International Wheat Agreement in July, 1953, the Government of India was unduly hasty, unlike Britain which was bargaining and resisting the increase in prices, and committed itself to import one million tons of wheat every year; the full implications of this unwise decision are now coming home to roost.

State trading to be successful requires personnel with considerable business acumen and experience. Otherwise, there will be inefficient management and ultimate loss to the tax-payer. Government departments have seldom been credited with business acumen. Hence it is that the experience of practical business men of standing and reputation is sought to be, and, indeed, freely drawn upon, and their services utilised in any enterprise the Government itself may undertake. This is also the reason underlying the suggestion of the Stores Purchase Committee, in a recent report, for the establishment of non-official advisory councils and committees to advise the Government on policy and procedure. The association of such bodies with Government departments will undoubtedly be of considerable advantage.

Mr. Gopalan's resolution met with the fate it rightly merited—rejection by an overwhelming majority of votes. But the debate on the subject was not without some gain inasmuch as it brought forth, on the floor of the House, a positive statement of Government's policy on State trading. Government refuses to take a dogmatic attitude on the issue and in essence it would prefer to resort to regulation of foreign trade as particular situations of the import or export trade would demand. But the theory of making 10 per cent profit on foreign trade—ignoring completely the risk of inevitable losses—is a wishful proposition to which Government cannot subscribe, as Mr. Karmarkar has stated. It would be fantastic to lock up capital resources of the public sector of the order of Rs. 1,000 crores only to upset a strategic function in the economy which the private sector was discharging with skill and efficiency. Government's approach was pragmatic and it envisaged the advisability of State trading for exports of cottage industry products. It would, likewise, investigate the propriety of establishing a State trading organisation to assist, but not to supplant, private agencies to facilitate their trade with countries which had nationalised foreign trade. Beyond such specific areas, the State had no intention to trespass.

Economic Report from the U. S.

INDUSTRIAL EXHIBITIONS

(By Guy Sims Fitch)

CHICAGO, September 13.—The Midwest Metropolis Exhibition which is now in full swing is the largest and most exciting exhibition of industrial machinery ever assembled in the United States. More than 100,000 business men—an unprecedented number—are here, examining the new production devices and investigating ways of using them. They are traveling by helicopter and automobile between three separate but related displays in different parts of the city—the National Machine Tool Show, the Production Engineering Show, and the Metalworking Machinery and Equipment Exhibition. These displays have one thing in common; they show a striking swing toward automation—the electronic control of production tools. To an engineer, this means primarily a "feedback" production system—one in which the machine not only regulates its own output, but also inspects its own products and corrects its own errors automatically. One such machine turns out automotive transmission pinions, checks them to one ten-thousandths of an inch, and rejects those that do not meet the standard. Another even disposes of waste materials and adjusts tools to compensate for wear. But regardless of the extent of automation involved, the thousands of instruments, motors and components put on display here by some 400 companies feature important innovations that increase output, save time and labour, and cut costs. They also are easier to operate, making them more useful in the factory. The new machines are the result of years of research. One company estimates that it has invested $19 million in the development of new equipment since the last Machine Tool Show in 1947.

This product development gives every sign of continuing. A survey by the magazine "American Machinist" reveals that U.S. industry expects to buy nearly $2,000 million worth of new tools in the next 18 months. One of the big spenders will be the giant automobile industry, currently enjoying a record production year. But even the smallest enterprises are joining the swing. Most of the new machines cost more than their predecessors. Production engineers are confident, however, that their greatest efficiency will more than offset the initial expense. Thus, a new grinding machine that costs $37,000 more than conventional models, would result in direct labour savings estimated at $38,000 a year. All of which may explain the presence here—in rather large numbers—of research specialists and financial executives interested in boosting output per man hour and reducing manufacturing costs.

Technological advances already have paid ample dividends to the American economy. Experience has shown that rising productivity, while it may cause temporarily displacement of some workers, leads to higher wages, greater consumption and increased employment opportunities, as more and better goods are turned out at lower cost and new industries and products are developed. Experience also has demonstrated technology's role as an economic stabilizer. Increased factory efficiency has helped make up for the rise in manufacturing costs, largely offsetting potential inflationary forces. Despite record wage gains in the United States this year, for instance, the index of wage costs per unit of output stands today at little more than 110 per cent of the 1947-49 average, compared with 111 per cent a year ago. Total employment, in the meantime, has increased 3 million to a record 65.5 million. Another American Machinist Survey throws some new light on automation's impact on employment. It finds that among American metalworking companies that have installed some kind of automation systems, most have encountered little change in their employment needs. More than 25 per cent actually have had to increase their labour forces to keep up with expanded operations, while considerably fewer have cut back on their hiring. The average increase in employment among these firms has been 21 per cent, the average decrease only 5 per cent.

Looking ahead, a number of Economists believe that automation, far from throwing people out of work, may in fact help overcome a labour shortage. Partly because of the low birth rate of the 1930's and partly because of the nation's rising living standards, the expanding needs of the growing U.S. population in the next 10 years may well outstrip the increase in the labour forces—chiefly those in the 20-64 age group. So the United States will need all the technological progress industry has to offer.

India's Tea- India's Wealth



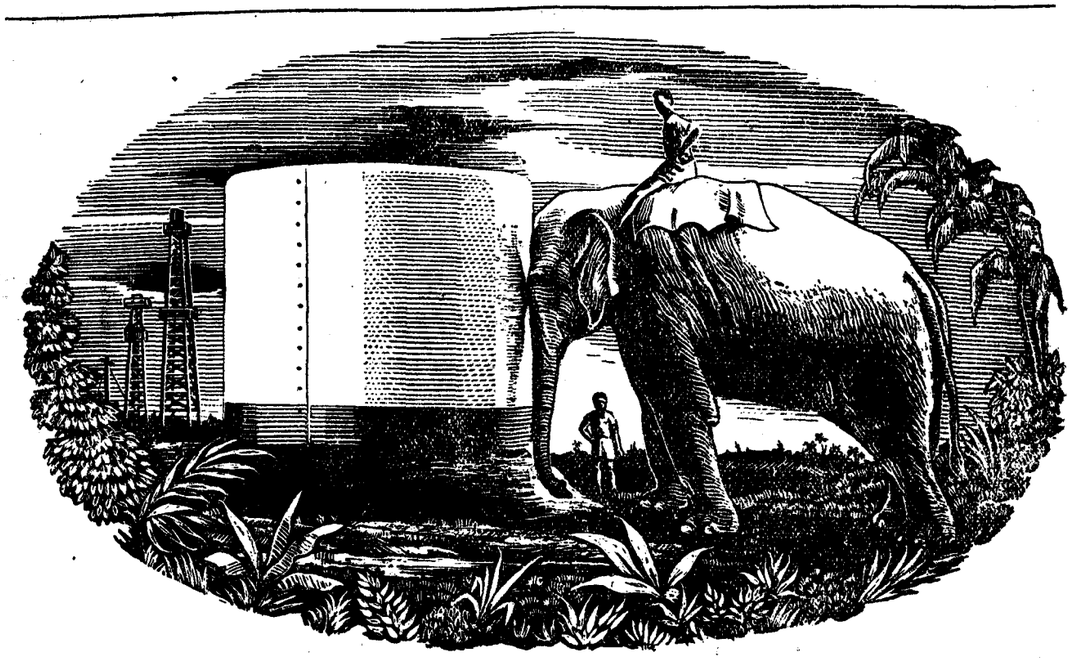
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Yes, the day-to-day running of the oil industry is a big job. To keep it running the Assam Oil Company has to spend crores of rupees just in "looking ahead." For no oilfield lasts for ever, and in order that India's vital flow of oil may be supplied to an increasing extent from India's own resources, the company is constantly exploring for new sources of petroleum.

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The Business World

WORKERS IN MANAGEMENT

By

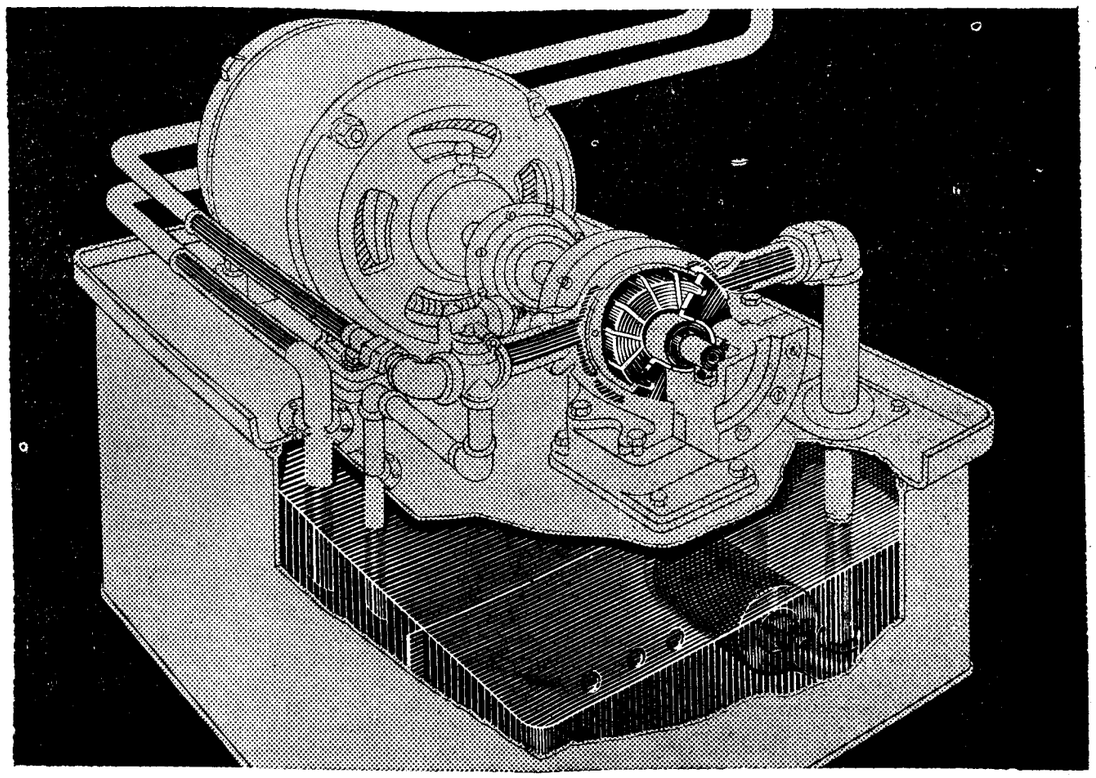
CROESUS

THE question of workers' participation in management is currently engaging the attention of not only the workers and their trade unions, the Planning Commission, the Government of India, and the managements concerned, but also the shareholders. As representing the interests of the investing class, it is understandable that the Bombay Shareholders' Association should feel itself actively concerned in this matter. Mr. K. R. P. Shroff, Vice-President of the Association, declared at the annual general meeting of the body held on Monday (5th September) that "the active association of workers with industrial management is a complex question requiring a thorough scrutiny in all its implications." He said that, while the Association appreciated generally the aim underlying the move, namely, to raise the status of the worker and put wider responsibility on him, it would prefer to reserve judgment on the practicability or otherwise of the proposition until it was enlightened about (i) the manner in which such participation was effected in the countries concerned, (ii) since when the system has been working, and (iii) what results it has attained so far.

Mr. Shroff also pointed out that even trade unions in the U.K. and the U.S.A. had not put forth such a demand, although, he said, he was aware of the development in a different but interesting direction, namely, workers' participation in industry through schemes aimed at making them partners through ownership in share capital of the companies in which they work. In other words, the B.S.A. spokesman sought to draw a distinction between workers wanting to participate in the management without becoming shareholders and workers becoming shareholders to earn the right of participation to manage. I thing there is much force in this distinction, because, as in the case of the ownership of funds belonging to an industrial undertaking, so also in the case of its management, no one who is not a shareholder can legitimately, if not legally, establish one's claim. Otherwise, it is possible although this may sound absurd that the consumers too may put forward a claim to morrow for representation on the management. For it is as much open to them to say that, if they do not consume the products of the undertaking, the undertaking cannot continue to exist. If it is argued that consumers are a widely dispersed lot, there may soon be an organised effort on the part of certain consumers to establish that they are consumers of the products of a given undertaking if they feel that thereby they can earn the right of representation on the management.

Be that as it may, the benefits that would accrue to workers even if they are represented on the management, so long as they have none from their own rank and file competent enough to sit on the Board of Management and so long as they have perforce to delegate this right to trade union leaders (not all of whom can claim to be equally scrupulous), would not be appreciable. As Mr. Shroff rightly said, "some representation of the workers' representatives on the Board of Directors can achieve very little in the context of our present level of development". An even more telling point that Mr. Shroff made, in my opinion, was the fling he had at those who, after having opposed functional representation not very long ago, now think in terms of separate representation for special interests. "If every special interest is sought to be separately represented", he said, "we will also have to consider logically representatives of tax-payers on the Board of Directors of Banks just as we have representative of policyholders on the Board of insurance companies and stretch this idea further and further. Arising out of the same argument is the larger question of how far it is advisable to press for separate representation in the economic field at a time when, in our democratic political set-up we have dispensed with representatives of special interests on the very valid ground that such representation will seek to promote sectional interests as against general interests and, therefore, will not be conducive to national development. If Members in the Lok Sabha can represent the community as a whole, so also we can promote the growth of industrial democracy not through special representation but through development of a wider outlook on the part of all those who direct the operations of industrial enterprise, whether or not they are taken from labour. We must further remember that leaders of labour in each industry do not necessarily belong to the industry and labour representation on industry can thus be either by people not belonging to the industry or by people belonging to the industry. In either case, numerous intricate questions crop up which are not easy of solution. Labour's interest are really safeguarded through well organised trade unions, while the role of directors is to ensure a smooth and progressive working of the enterprise concerned."

It is axiomatic that no one would like to give up what one has or possesses. The acquisitive instinct is as much human as is man's gregarious instinct. So far the shareholders have had to fight unscrupulous managing agents to prevent them from appropriating all profits to themselves. It looks as though they have now to gird up their loins to meet the threatening claim of labour for a share not only in management but also in ownership of the enterprise itself. Hence Mr. Shroff's pertinent query whether workers' participation is intended in the field of management only or whether this is a thin end of the wedge to claim later that participation also implies share in ownership of enterprise both in its capital and in its reserves. Labour has made an unsuccessful attempt to claim a right of ownership of reserves. Could it be that the latest Labour Appellate Tribunal's decision to this effect has promoted ingenious labour leaders to think of achieving its aim by backdoor methods, as Mr. Shroff apprehends? But even should this fail, as it is bound to, shareholders must reckon with the possibility of workers becoming 'de facto' shareholders, that is, not by actual investment of money but by a fiat of an obliging Government. It would perhaps "then be open to the powers-that-be to say that there shall be no discrimination between one class of shareholers and another in the matter of representation on the management.



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BUSINESS NOTES

ATTACK ON AIRLINES EFFICIENCY

THE DEBATE in the Rajya Sabha last week, on the motion for consideration of the report of the Indian Airlines Corporation for the last financial year, highlighted the deep dissatisfaction of the House with the affairs of the Corporation from its inception. Criticism of the management of the airlines did not, in any sense, follow party lines. This fact is significant as revealing the strength of the general feeling behind the verdict on the deterioration in the standards of Corporation's efficiency. Mr. Jagjivan Ram's attempt to neutralise the force of criticism by making forthright admission about deterioration in the initial stage after nationalisation could not succeed since specific proof of improvement thereafter did not come forth. Air transportation is a highly personal service and the attitude of the airlines staff towards the public, under the new disputation, continues to be short of expected standards of courtesy. Bookings are probably the worst vexation spots. It is impossible to deny the generosity shown by the Corporation in the matter of standardisation of salary scales and readjustment of grades, but this generosity remains to be reciprocated in ungrudging and devoted service. The expected gains of integration are not in evidence and economies on its score have not been reflected in operating costs.

It was certainly a wild exaggeration to stigmatise the scheme of compensation as the "biggest swindle" in the country. Far from being a swindle, the compensation scheme representated an equitable arrangement, which, without causing loss to either party, steers clear of contentious and costly litigation. Scrap assets were classified as scrap, while valuation of components which would involve 50 per cent of cost for repairs were evaluated on a reasonable basis. The Minister was on sure ground in his defence of compensation as also in emphasizing that the safety factor had not been impaired or confidence of the travelling public shaken.

The debate did not probe into the financial management of the Corporation except to underline the progressive trend of losses. Mr. Jagjivan Ram's plain statement about the inevitability of deficit in the next few years gives a picture of the reasonable probabilities, although it cannot be taken to exonerate the Corporation from responsibility for economies at several points. But it should be clear that standardisation of aircraft by substitution of the two upto-date types—Viscounts and Herons—implies inflated capitalisation. There is little prospect of downward modification of the new rates and fares, and Mr. Jagjivan Ram's promised reference of the rates structures to the Air Transport Advisory Council will very likely secure endorsement of the enhanced charges.

RESERVE BANK'S REPORT

THE REPORT of the Central Board of Directors of the Reserve Bank of India for the year ended June 30, 1955, underlines the expansion in the tempo of expenditure in the public sector as an outstanding featutre of the state of the economy in 1954-55. This expanded tempo, evidenced by the widening budgetary deficits, makes considerable recompense for the slow progress of the earlier years. In terms of the revised estimates, the Union and State Governments have incurred a deficit of the order of Rs. 235 crores in 1954-55 which comes in sharp contrast with the deficit of Rs. 65 crores in 1953-54. If the increase in the floating debt the Union Government and other related adjustments are given due allowance, the deficit of the last year would come to Rs. 100 crores. The combined overall deficit for the current year is estimated to shoot up to Rs. 395 crores in consequence of the steep acceleration in the outlays on the projects in the public sector. The report draws a comparison between the combined disbursements of the Union and State Governments and their revenues. While expenditure on revenue and capital accounts has risen by an impressive figure of Rs. 600 crores between 1951-52 and 1955-56, the increase in the combined current revenues in the same period has been as low as Rs. 25 crores. At the level obtaining in 1954-55, current revenues form only 8 per cent of the estimated national income which shows no mentionable advance over the pre-war position. From this comparison, the report drives deep the lesson of augmenting tax-revenues for development and to think less vigorously in terms of the technique of deficit financing.

Among the several economic developments of the year, the report emphasises the measures undertaken to enlarge and strengthen the facilities for ruarl credit. The formation of the State Bank of India, establishment of the two funds for credit in terms of the new provisions incorporated in the Reserve Bank of India (Amendment) Act, 1955, plans for implementing the preliminaries to set up on a nation-wide basis warehouses as also widening the scope of co-operative activity.

The liberalisation of access to the facilities offered under the Bill Market Scheme has come in for particular reference. The report rightly accords credit to the Reserve Bank for going far beyond the recommendations of the Shroff Committee in extending the scope of facilities under the Scheme. All licensed scheduled banks have now been made eligible for accommodation irrespective of the size of their deposits. The minimum limit of advances under the Scheme has been reduced from Rs. 25 lakhs to Rs. 10 lakhs and the minimum amount of each individual bill has been reduced from Rs. 1 lakh to Rs. 0.5 lakh. The combined accommodation extended by the Reserve Bank under the Scheme in 1954-55 rose to Rs. 323 crores—an increase of Rs. 34 crores above the previous year.

SOAP STATISTICS NOT SO SOAPY!

AT THE 37th ordinary general meeting of the shareholders of the Tata Oil Mills Co., Ltd. on Tuesday (September 6) Mr. J. R. D. Tata, the Chairman, gave some statistics about the soap industry which to clearly reflect the none-too-enviable plight of an industry that has to face a three-pronged competition, that is from the foreign-owned sector of the industry, from the cold process urban soap producers and from small-scale and household soap manufacturers. The total rated capacity of the Indian-owned sector of the soap industry, according to Mr. Tata, is 134,000 tons. But actually it produces and sells no more than 24,000 tons of soap, as against 85,000 tons produced by all sections of the industry—both foreign and Indian-owned—produced in 1954. The output has stagnated at this level during the past four years. On the basis of the National sample Survey and from information made available by various State companies, on the other hand, it is stated that the production of the cottage industries is estimated at about 120,000 tons per annum.

It has been assumed that there will be an increase in soap consumption of 50 per cent by the year 1960-61 as a result of the estimated rise of about 25 per cent in national income and the consequent increase in per capita consumption of goods of about 12 to 13 per cent. Even if the annual production of the organised soap factories increased to 120,000 tons by the year 1960-61 as visualised by the Planning Commission, it would still be 14,000 tons below the present rated capacity of

just the Indian owned sector. It is, therefore, difficult to predict, in the context of the stress in the second Five-Year Plan on the fullest development of the small-scale and household industries, on the one hand, and the steady increase in the number of cold process manufacturers of soap in the urban areas, on the other—not to speak of the competition from the foreign-owned sector of the industry—what the future of the organised Indian-owned sector of the soap industry would be. If only because of this, there is urgent need for the authorities to accept the two suggestions made by the Tomco Chairman that the Government should (i) either set in train a Tariff enquiry or constitute a Development Council to examine the causes that hamper the growth of the indigenous industry and (ii) take early action for rectifying the anomolous position created by the sudden emergence of a large number of small urban factories to manufacture soap by the cold process.

INDIGENOUS NEWSPRINT

IT IS certainly a depressing prospect for an infant indigenous industry to be confronted with a new and forceful impact of overseas competition, while it is waging a slow struggle to consolidate its position and to expand its base. When the original exemption from the levy of this year's new excise duty was withdrawn in the case of domestic newsprint towards the end of April last and it was made subject to the payment of the specific excise duty at the same rate as paper and board, a new handicap was added to its long-standing handicap of rigid high production costs. Its competitive strength was thus further impaired.

Mr. G. P. Birla's presidential speech at last week's annual meeting of the Indian Paper Mills Association highlights for prompt action the growing acute competition of imported newsprint. Its effects have been unusually severe due to the aggressive inflow of Japanese newsprint. The low level at which the price of Japanese newsprint is pitched is easily gauged from the fact that its landed cost after payment of the existing nominal duty was almost on a par with the cost of old printed newspapers inclusive of duty. The injurious effect of Japanese competition is seen even in the market for wrapping paper. Indigenous manufacturers have been constrained to stop its production. It is no doubt a fact that Government has given a helpful response to the representation of home producers and tightened up restrictions to prevent clandestine import of newsprint for purposes other than printing newspapers. It is problematical how far the loophole can be plugged successfully and Mr. Birla suggests that import duty should be levied on all newsprint, subject to the provision of refund in respect of quantities that may be proved to have been used for the genuine needs of newspapers. But it cannot go to solve the real problem of the home industry. It is stressed on behalf of it that imported newsprint should bear customs duty at the same rate as the excise duty on home produced newsprint to remove unequal competition.

JUPITER GENERAL'S STEADY PROGRESS

IN HIS report on the working of the Jupiter General Insurance Company during the year 1954, the Administrator, Mr. R. Varadachari, gives the gist of the company's financial position in terms of simple figures. The increase in assets from Rs. 2.88 crores in 1950 to Rs. 3.65 crores in 1954 bears testimony to the sound position built up by the company. It is further proof of its steady and secure progress that in a period of ruinous competition the total premium income from all the different departments in 1954 rose to Rs. 75.30 lakhs in contrast with an income of Rs. 73.50 lakhs in 1953. Mr. Varadachari has taken the right precaution in repelling inspired reports about the company deriving temporary sustenance from government business—a misleading version which is apt to find uncritical acceptance due to the fact of the company being under "Government management." He has stated with statistical evidence that the Jupiter General stands precisely in the same situation as any other insurance company in the matter of premiums on account of government business received through the Indian Insurance Companies' Association Pool. Still another proof of Jupiter General's sound management is the policy of prompt and equitable settlement of claims.

The Administrator has gone into some detail in explaining the burden imposed by the Fire Department. Apart from the impact of cut-throat competition in this business, the company's foreign liabilities acted as a drag on its resources. It is an achievement worthy of credit that in spite of these odds that net premium income of the Department was virtually maintained at the previous year's level. Of the rest of the departments, the ground retrieved by the Miscellaneous Department from the big losses of two previous years bears special notice in the developments of the year under report.

NEAR SELF-SUFFICIENCY IN COTTON

IMPORTS OF foreign cotton into India during the cotton season ended August 31, 1955, were the lowest for the past eight years at 529,579 bales and compared with as much as 1,266,300 bales in 1951-52. To some extent atleast, this sharp reduction reflects the growing pace of indigenous production of long-staple cotton during the first Five-Year Plan, but thanks more particularly to Mr. K. M. Munshi's triple self-sufficiency drive. According to the Minister for Industries, the total annual requirements of long-staple cotton for the Indian cotton textile industry is of the order 22 lakh bales, of which about 16 lakh bales are being met by indigenous production. Egypt, the leading exporter of long-staple cotton in the free world, accordingly could ship to India only 1,71,802 bales during the 1954-55 season, as against as much as 2,79,381 bales in the previous season. There are, however, two other reasons for this sharp decline in imports of Egyptian cotton into India. In the first place, the need for the import of long-staple cotton has been appreciably minimised by the steadily declining trend in the quantum of exports of fine cloth from India. At the same time, there has been a steadily rising trend in India's exports of medium cloth, for the production of which it should be noted, no imported cotton is required. Secondly, the total volume of exports as such from Egypt during the 1954-55 season dwindled considerably, it was put at only 672,876 bales, as against 942,029 bales in 1953-54. Moreover, as a result of the relatively, higher price of Egyptian cotton in 1954-55 generally, customary importers of this cotton were compelled to go in for Sudan cotton which offered, besides the price advantage, facilities for carrying cotton granted by the Sudanese shippers, as they happened to be aggressive sellers generally. In other words, the fall from grace of Egyptian cotton has been counterbalanced by an improvement in the import of Sudan cotton which, at 66,713 bales, compares favourably with 31,435 bales imported in 1953-54. A similar shift was also noticed in favour of East African cotton, the actual imports of which during the season just ended amounted to 257,609 bales as against only 162,237 bales in 1953-54.

Another notable feature of the import of foreign cotton into India during the 1954-55 season was the sharp decline in the import of American cotton both in the quantity licensed and in the quantum of actual imports. Thus, as against 185,573 bales (the quantity licensed during 1954-55 was only 131,622 bales) imported in 1953-54, the import of the U.S. and Mexican

cotton was only 75,911 bales (the quantity licensed here, again, was only 47,875 bales) in 1954-55. The main factors responsible for the decline in the import of dollar area cotton were the uncertainty, which prevailed over the greater part of the season under review, in regard to the U.S. cotton export policy, especially the long-drawn-out suspense over the issue of cotton export subsidy and the proposal of the Government of India to import cotton under the F.O.A. (free gift) scheme, not to mention the damaged cotton episode of last year. The cumulative effect of all these was that shippers were chary of entering into any commitments with regard to imports of the U.S. cotton. Moreover, they were not very enthusiastic about the gift cotton scheme; they were also not prepared to pay higher prices to American cotton when, actually, comparable varieties of East African cotton were available at lower prices.

The aggregate imports of both sterling area and dollar area cotton during the 1954-55 season were of the order of 529,579 bales, as against 658,645 bales imported in 1953-54 season. The actual quantity licensed, however, was more in the season under reference at 649,280 bales, as against 632,000 bales in the 1953-54 season.

TRADE SURPLUS WITH U.K.

NOTWITHSTANDING INDIA'S liberalised import policy, and the so-called increase in the tempo of Britain's exports, the trade between the two countries for the first seven months, January to July 1955, shows a balance of trade in favour of India of the order of £23,967,000, as against only £4,871,000 recorded in the corresponding seven months of the previous year. As usual, the main contribution to India's export trade with the U.K. was made by tea, the increased exports of which raised the value thereof from £31,101,000 in January-July, 1954 to £45,012,000 for the period under review. To some extent, this was also due to the higher prices that the commodity fetched during a greater part of this period. Helpful also, albeit to a smaller extent, was the export of cotton yarns and woven fabrics worth £4,344,000 for the period January to July, 1955, as against £3,775,000 for the corresponding period of 1954. India's exports of two other important items, leather and manufactures and dressed furs, as also of miscellaneous textile manufacturers, on the other hand, showed modest declines.

The aggregate value of all exports from India to the U.K. accounted for as much as £92,433,000, as against £74,336,000 in the January-July period in 1954.

On the import front, there is as yet no sign of the recent steps taken by Britain to strengthen its economy by vigorous export drive. In fact, there has been a decline in all the major items of India's imports from the U.K., a feature which was not noticed since January this year. The decline in the value of imports of electric machinery, apparatus and appliances particularly is noticeable at £8,307,000 for the first seven months of 1955, as against £9,201,000 for the corresponding period in the previous year.

SHREE KRISHNA GYANODAY SUGAR LIMITED

NOTICE is hereby given that an Extraordinary General Meeting of the Shareholders of the Company will be held on Monday, the 3rd October, 1955 at 11-30 A.M. at the Registered Office of the Company at Dalmianagar for the purpose of considering and, if thought fit, passing with or without modification the following resolutions which will be proposed and passed as Special Resolutions:

Resolved that the Authorised Capital of the Company be increased from Rs. 50,00,000 to Rs. 1,00,00,000 by the creation of 10,000 Preference Shares of Rs. 100 each and 4,00,000 Ordinary Shares of Rs. 10 each. The said Preference Shares shall carry such dividend as the Directors shall determine if and when issued, and in other respects will rank pari passu with the existing Preference Shares. The said Ordinary Shares will rank pari passu in all respects with the existing Ordinary Shares.

By order of the Board,
For **Shree Krishna Gyanoday Sugar Ltd.,**
For **Sahu Jain Limited,**
A. K. JAIN,
Managing Director,
Managing Agents.

Dalmianagar,
8th September, 1955.

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Company Meeting

THE JUPITER GENERAL INSURANCE CO., LTD., BOMBAY

Report of the Administrator, Shri R. Varadachari

The Revenue Accounts and the Balance Sheet of the Company with the Auditors' Report appended hereto relate to the year ended 31st December, 1954.

The total premium during the year 1954 from all departments including the Life Department, amounted to Rs. 75,30,075 as against Rs. 73,50,402 in the previous year and it is a testimony to the inherent soundness of the Company's position and its organisation as a whole that in spite of the great handicaps under which it has been working since July 1951 it has shown such a good performance without any tied business or help from any source in the prevailing atmosphere of cut-throat competition. The financial position of the Company is quite sound and the assets have increased to a total of Rs. 3,64,97,657 as against Rs. 2,88,36,324 in 1950.

As there is some misapprehension in the minds of the public about the "Government management" of this Company, I should state that the Government is not placing directly with the "Jupiter" any of its business. The Company's share of premium on account of Government business received through the Indian Insurance Companies' Association Pool, like many other companies, was Rs. 25,025 under Fire, Rs. 22,724 under Marine and Rs. 15,332 under Miscellaneous Departments—that is, Rs. 63,081 in all. The day to day running of the affairs of the Company such as the procuration of business, settlement of claims etc., is almost entirely in the hands of the Managers who have been working with the Company for a number of years. In particular, the reputation of the Company for prompt and fair settlement of claims continues to be high both in Indian and foreign markets.

FIRE DEPARTMENT

The net premium in the Fire Department amounted to Rs. 15,10,540 as against Rs. 15,41,959 in the previous year. Though the premium has been more or less kept up during the last two years, it is about 50 per cent of what it used to be some years back. The fall is due to the fact that the Company is unable to enter into the cut-throat competition and the terrible rebating prevailing in the field at the moment. The year has, however, been an unfortunate one for the Fire Department. It had to meet a number of claims arising out of a fire in Burma; the risks in that area were on the books of the Company even during private management for a number of years. Apart from this, certain foreign inward treaties showed rather unusually heavy losses with the result that the Department closed at the end of the year with a loss of Rs. 2,63,992, after providing 51 per cent of premium under Reserves for unexpired risks. As the Chairman of a well-known insurance company in London remarked: "A company has nothing to be ashamed of in showing poor results in a year in which catastrophe has been experienced. On the contrary, it can be proud that it has been able to fulfil its purpose; namely, to meet at all times whatever calls may be made upon it. It is some consolation to know that although we have had such heavy losses to meet as a result of these catastrophes, we have been able to alleviate the lot of those unfortunate policyholders who sustained such widespread damage to their homes and personal belongings."

MARINE DEPARTMENT

The net premium in the Marine Department amounted to Rs. 4,80,303 as against Rs. 4,80,141 in the year 1953. The profit of this Department was Rs. 1,51,114 after keeping 141 per cent of premium under Reserves for unexpired risks.

MISCELLANEOUS DEPARTMENT

The net premium amounted to Rs. 18,08,048 as against Rs. 15,85,798 in 1953, the increase being due to the fact that premiums due for the two years 1953 and 1954 from a treaty company amounting to Rs. 3,26,640 were accounted for in this year. This Department has been running at a big loss during the previous two years but this year the loss has been reduced to practically a nominal figure of Rs. 18,159, after providing 50 per cent of premium under Reserves for unexpired risks. This is not unsatisfactory as the loss was really due to our having to increase the reserves by over a lakh of rupees on account of the increase in premium. The loss due to the Chief Agency at Trinidad opened by the late management and which worked for about a year was over Rs. 3 lakhs and this is a pointer to the clamour for opening out Branches in far off places without adequate supervision.

LIFE DEPARTMENT

The New Business completed during the year amounted to Rs. 99,19,000 covering 3,265 policies as against Rs. 1,06,60,000 covering 3,332 policies in the previous year. The renewal expense ratio for the year works out to 17.0 per cent as against 18.3 per cent in 1953. The Life Fund increased during the year by Rs. 22,51,392. The gross interest earned on the mean Life Fund during the year was 3.8 per cent while the net yield was 3.1 per cent.

In spite of various economies, such as the closing of unprofitable Branches and retrenchment of a number of executive officers, the expense ratio in the Fire Department still continues to be high, but this is largely due to the fact that the premium receipts in the Department have fallen down by about 50 per cent. I should add that the expense ratio in 1950 under private management was not very much below that of 1954 notwithstanding the fact that the premium income in that year was nearly twice of this year.

The expenses in the Marine and the Miscellaneous Departments are within reasonable limits, while the renewal expense ratio in the Life Department has actually been brought down to 17.0 per cent from 24.4 per cent in 1950 under private management.

PROFIT AND LOSS ACCOUNT

The Accounts of the year have been closed with a small profit of Rs. 38,951 and adding this to the balance brought forward from the Accounts of the last year, the total available profit is Rs. 5,72,881. After making a further provision for Bad and Doubtful Debts and reserve for taxation amounting in all to Rs. 1,07,565 the balance of profit is Rs. 4,65,316 and I propose to carry forward this amount.

The scheme for the reconstruction of the Capital Structure of the Company in accordance with Section 6B of the Insurance Act, 1938, is pending in the High Court.

INVESTMENTS

From 11th July, 1951 up to date, the investments of the Company in Government securities and first-class debentures etc., amounted to Rs. 74,98,870, after meeting all the outgo during the period. The total assets of the Company as on 31st December, 1954 amounted to Rs. 3,64,97,657.

COMMODITY NEWS AND NOTES

NEW PEAK IN AGRICULTURAL OUTPUT

The revised estimate of "The Eastern Economist Index of Indian Agricultural Production" for 1954-55 turns out to be an all-time peak at 121—only one point above the previous peak at 120 in 1953-54. Except for the index for food grains which shows a drop of 2 points, all the other sub-groups show appreciable movements. Fibres have jumped by 8 points, oilseeds by 12 points and miscellaneous by 4 points.

In the food grains sub-group, a significant fall has been recorded in rice production. As against a total output of 27,079,000 tons in 1953-54, rice output in the year under review declined to 24,200,000 tons. The table below shows that whereas rice lost to the extent of 2,879,000 tons, other food grains made up the loss to the extent of 2,176,000 tons. Jowar alone registered a rise of 1,401,000 tons.

Amongst the fibres, cotton production at 4,089,000 bales was the highest since 1941-42 when a bumper crop at 4,424,000 bales was harvested. Jute shows only a nominal increase over the preceding year. Amongst the oilseeds, sesamum and rape and mustard have attained new highs. Coffee and tobacco in the miscellaneous section (in addition to rice in the food grain sub-group) are the only crops to take a downward course.

	(In '000 tons)	
	1953-54	1954-55
Rice	27,079	24,200
Wheat	7,792	8,500
Jowar	7,691	9,092
Bajra	4,246	3,555
Maize	2,854	2,944
Barley	2,721	2,825
Gram	4,551	5,125
TOTAL ..	56,934	56,241

JUTE PULP IN PAPER MAKING

Important schemes of research relating to the agriculture, technology and economics of jute were considered at the 37th Annual General Meeting of the Indian Central Jute Committee, held in Calcutta on September 10, under the chairmanship of Mr. K. R. Damle, I.C.S. With a view to increasing the average yield of Indian jute, at present only 2.5 bales per acre, by at least one bale more, it was proposed to undertake extensive manurial-cum-varietal trials for studying the performance of the improved varieties of jute and different manurial treatments.

The Committee considered a proposal by the Director of the Committee's Technological Research Laboratories to initiate research on the utilization of jute stick and waste in the preparation of pulp for the paper industry in West Bengal, which is now in difficulty for want of raw materials. The pressure on paper manufacturers is expected to be greatly eased, if by research it is found possible to develop an economic process for utilizing large quantities of pulp available from jute sticks in mixture with bamboo pulp.

Among the other important subjects which came up for consideration at the meeting were the annual reports of the different research directorates and the publicity section of the Committee, and the studies of the Director of Economic Research relating to moffusil prices of jute and paddy, improved methods of jute cultivation, allied fibre crops grown in this country and abroad and economics of jute growing. On September 8, the Directors of Agriculture of the jute growing States met to discuss the broad principles and objective details of their approach to jute development work under the second Five-Year Plan.

FIRST ESTIMATE OF JUTE

The all-India first estimate of jute, 1955-56, puts the area at 1,343,000 acres, as against 1,334,000 acres in the corresponding estimate of last year, according to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. Thus, the current year's estimate shows an increase of 9,000 acres or 0.7 per cent in area over last year.

West Bengal has reported a major increase in the current year's acreage under jute due mainly to favourable climatic conditions at the time of sowing in the main jute growing districts of the State. Small increases in acreage have also been reported by Orissa, U.P. and Tripura. This increase in acreage has, however, been offset to a large extent by the decrease registered in Bihar due to inadequate rains at the time of sowing of the crop.

HIGHER WORLD WHEAT OUTPUT?

The U.S. Agriculture Department has reported that wheat production in the Northern Hemisphere—which normally accounts for more than 90 per cent of world production—is likely to be larger than last year and may be near a record. According to a survey, the United States is producing about 7 per cent less because of its record reserve and surplus supply. Rigid marketing controls were imposed on growers. But Canada appears to be headed for a harvest 67 per cent above last year's small crop. The European crop is expected to be about the same as last year.

Preliminary data from the Soviet Union points to a larger wheat harvest this year than last. Better yields were reported from the winter wheat belts of the Ukraine and Northern Caucasus, where a serious drought cut production last year. The Department said a drought this year reduced yields in the spring wheat belt beyond the Soviet Urals, but there had been considerable expansion of acreage in virgin land in this area.

In Asia, according to the Department, most of the important wheat producing countries have better crops than in 1954.

NEWSPRINT IMPORT POLICY

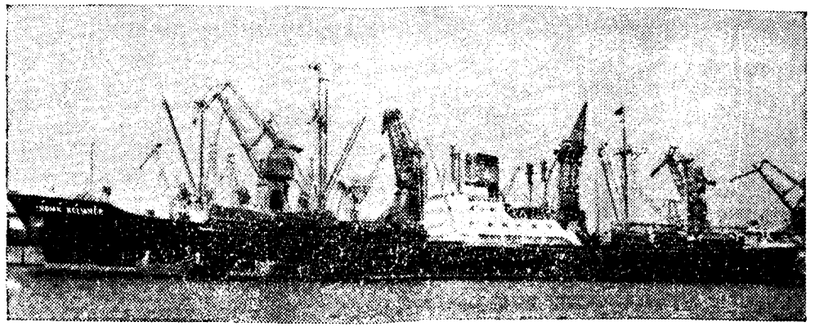
Explaining the Government of India's newsprint policy—which permits actual users to get licences and import newsprint direct—the Minister for Commerce and Industry stated in the Lok Sabha, on September 8, that the duty on newsprint imports was only 4 per cent, whereas the duty on other printing papers was 40 per cent. Government had found that recently a very large quantity of printing was being switched over to newsprint because of the low duty. Government did not want to lose revenue and, at the ame time, wanted to safeguard the interests of genuine newspapers. Newspapers, he added, could get newsprint after paying duty at a lower rate. But if the general public wanted to import printing paper, whether it was newsprint or otherwise, they would have to pay the duty of 40 per cent.

RICE IMPORT FROM BURMA

Repudiating the suggestion made in the Lok Sabha that India had paid a higher price for rice in order to win Burma's goodwill, the Food and Agriculture Minister explained that, when the contract was entered into with Burma, the world price of rice was agreed to be paid, so that when subsequently the world price came down, the agreement had to be honoured as it was a firm one.

LAC PRODUCTION

India produced 8.13 lakh maunds of Bysakhi lac this year, of which 5.87 lakh maunds were produced in Bihar.



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COMPANY AFFAIRS

THE MYSORE SPINNING AND MANUFACTURING COMPANY, LIMITED

The Company's operations during the year ended February 28, 1955, showed a gross profit of Rs. 8,92,430, but the Company was made liable to pay an aggregate amount of Rs. 9,26,710 (paid to the workers on June 29, 1955), being the total quantum of benefits in respect of the period January 1, 1953, to February 28, 1955, in terms of the Consent Award of the Industrial Tribunal, Bangalore, made on March 7, 1955, out of which a sum of Rs. 3,80,727 pertains to the year under report. After charging the latter amount, the profits of the year are reduced to Rs. 5,11,702. The arrears of the above liability in respect of the period January 1, 1953, to February 28, 1954, amounting to Rs. 5,45,982 having also been charged to the profits of the year under report, the net result is a debit balance of Rs. 34,280, which, with the credit balance of Rs. 22,997 carried forward from the previous year's account, leaves a debit balance in the Profit and Loss Account of Rs. 11,283

To which has to be added the ad-interim dividend paid at Rs. .3 per share on 49,670 Ordinary Shares absorbing	Rs. 1,49,010	
and		
At Rs. 1-2 per share (less income-tax) on 14,901—4½ per cent Cumulative Preference Shares absorbing	„ 16,764	Rs. 1,65,774
Leaving a debit balance in the Profit and Loss Account of		Rs. 1,77,057

To meet this debit balance in the Profit and Loss Account and the statutory depreciation on Buildings and Machinery and to enable payment of a final dividend of Rs. 3 per Ordinary Share and of Rs. 1-2 (less income-tax) on 4½ per cent Cumulative Preference Shares, the Directors have decided to transfer from the Reserve Fund (which has already been taxed in previous years) a sum of Rs. 6,25,019

to be disposed as under:

To write off the debit balance in Profit and Loss Account	Rs. 1,77,057
Depreciation on Buildings	„ 35,084
Depreciation on Machinery	„ 2,23,396
Final Dividend of Rs. 3 per share for the year on 49,670 Ordinary Shares of Rs. 50 each (making a total of Rs. 6 per Ordinary Shares for the year or 12 per cent per annum)	„ 1,49,010
Final dividend of Rs. 1-2 per share (less income-tax) on 14,901, 4½ per cent Cumulative Preference Shares	„ 16,764
To carry to next year's account	„ 23,708
	Rs. 6,25,019

As a result of the disputes pending before the Industrial Tribunal throughout the year there was continued labour unrest, culminating in rioting and violence and the mills had to be closed for a month in November-December, 1954. However, the long pending disputes between the workers and the management have been settled by an agreement, passed as a Consent Award by the Industrial Tribunal, which has standardised workloads and adjusted wages accordingly, involving increase in wage cost.

THE ELPHINSTONE SPG. & WVG. MILLS CO., LTD.

The Balance Sheet and Profit and Loss Account of the Company for the year ended December 31, 1954, shows that, after meeting all working expenses and setting aside a sum of Rs. 85,000 for estimated tax liabilities, the Company has a profit of Rs. 5,44,677

To this has to be added the Balance brought forward from the last year's account	„ 17,999
Making a total of	Rs. 5,62,676
Out of which the Directors have appropriated to:	
(a) The payment of Interim Dividend of Rs. 2-8 per share free of Income-Tax on 59,960 Ordinary Shares of Rs. 50 each for the year 1954	„ 1,49,900
(b) Depreciation	„ 1,75,000
This leaves a balance of	Rs. 2,37,776
Which the Directors recommend to appropriate as follows:	
(a) Payment of Dividend of Rs. 7 per share (subject to income-tax) on 25,000 —7 per cent Cumulative Preference Shares of Rs. 100 each for the year 1954	Rs. 1,75,000
(b) Payment of a final dividend of Rs. 0-8-0 (annas eight) per share (free of Income-Tax) on 59,691 Ordinary Shares of Rs. 50 each for the year 1954	„ 29,980 Rs. 2,04,980
Leaving a Balance to be carried forward to the next year's account.	Rs. 32,796

S&L

STEAM PIPES
& SPECIALS

TUBULAR COILS
FOR SUPERHEATERS,
REFRIGERATION & HEATING

STEAM PIPE
LAYOUTS
DESIGNED, FABRICATED
& ERECTED

STEWARTS AND LLOYDS OF INDIA, LTD.

Head Office: **41, Chowringhee Rd., CALCUTTA.**

Works: **39, Hide Road, KIDDERPORE.**

Bombay Office: **Himalaya House, Palton Rd., Fort, BOMBAY.**

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339 8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
December 1954 ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	116.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.4
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4
May ,, c ..	276.1	396.4	329.6	374.6	514.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, c ..	317 5	404.2	326 3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
Week Ending										
23-7-1955 ..	312.5	407.7	329.8	370.9	552.7	356.3	90.9	100.8	87.9	118.7
30-7-1955 ..	313.3	414.6*	325.7	371.8	551.4*	357.2*	90.9	100.7	87.9	119.8
6-8-1955 ..	315.7	400.9	327.1	371.5	560.7	356.3	90.9	100.7	87.8	121.4
13-8-1955 ..	315.1*	406.2*	326.6	371.6	564.8*	356.9	90.9	100.7	87.8	122.0
20-8-1955 ..	320.5	405.3	326.8	371.2*	563.2	358 5*	90.9	100.7	87.7	122.9
27-8-1955 ..	318 5	404.6	325.1	370.6	562.4	357.2	90.9	100.7	87.7	124.4

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 August	345	362	241	135	330	408	372	140	336	145	141	138
September	347	364	237	137	332	406	371	137	335	147	142	138
October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	—	—	—	—	129	130
July	324	340	224	129	—	371	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED											
	10-9-1955			3-9-1955			27-8-1955			20-8-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95- 2	94- 4	94-12	95- 0	93-10	94- 4	96- 6	95- 6	95-14	95- 2	95- 1	95- 2
Silver (per 100 fine tolas)	166- 4	163-12	165-10	164-12	163-12	164- 6	167- 4	165-12	166- 9	163- 0	161- 4	162- 0

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52:91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
January 1955	1,220,25	14.88	1,235,13	40,02	656,70	695,72	56 33	104.27	435,14	1,226,53
February ,,	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103.47	445,21	1,251,85
March ,,	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101.74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324.71	15,14	1,339,85	40,02	661,98	702,00	52.39	104.14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336.28	40,02	646.04	686.06	51.34	105.87	543,65	1,336,28
August ,,	1,299,00	26,50	1,325,50	40,02	633 29	673,29	50.79	108,24	543,69	1,325,50
Week Ending										
5-8-1955	1,305,80	22,53	1,328,33	40,02	637,04	677,06	50.97	107.63	543,65	1,328,33
12-8-1955	1,307,13	21,34	1,328,48	40,02	637,04	677,06	50.96	107,63	543,69	1,328,48
19-8 1955	1,297 98	31,39	1,329,37	40,02	637 04	6 7706	50.93	107,73	543,69	1,329,37
26-8-1955	1,285,09	30,73	1 315,82	40,02	622,04	662,06	50.32	110,07	543,69	1,315,82
2-9-1955	1,292,99	22,33	1,315 32	40,02	656,82	696,84	52.98	109 58	508 91	1,315,32

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1.57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1.71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5.90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2.85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	198,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26
February ,,	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,68	21,98	67,22	14,69
March ,,	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8.59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9.53	69,84	88	32,44	58,34	6,02
August ,,	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
Week Ending														
5 8 1955	76,71	10 88	48,51	15.74	151,84	38.14	199,98	22.64	7,69	82,24†	85	19,58	61,66	5,31
12 8-1955	75,02	9,44	53,74	15,66	153,85	37,29	201,14	21.49	8,11	81,94†	3.57	18.75	62,02	5,26
19-8-1955	90,95	25 89	51,80	33,43	202,08	23,76	235,84	31.56	11.51	85,30†	2,44	33,38	62,38	9,27
26-8-1955	106 65	36,42	51 36	16,27	208,71	23,29	242,00	30,89	12 29	95,50†	80	28,75	62,65	11,13
2-9 1955	64,38	40,16	54,99	18,88	178,41	18,30	206,71	22,46	12 55	63,10†	25	33,75	63,20	11,40

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	61.77	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
February 1955 ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March ,, ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	342,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8 41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July ,, ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August ,, ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
Week Ending										
5-8-1955 ..	602,88	410,41	1,013,29	34,37	48,05	8.13	488,90	113,25†	61.64	369,91
12-8-1955 ..	607,65	409,24	1,016,89	34,48	50,32	8.34	488,00	110,53†	60.96	371,44
19-8-1955 ..	601,39	407,64	1,009,02	34,49	48,16	8.19	510,44	109,71†	63.04	376,03
26-8-1955 ..	608,07	409,06	1,017,13	33,27	50,23	8.21	496,51	109,70†	61.39	378,28
2-9-1955 ..	601,81	409,78	1,011,59	33,18	56,76	8.89	505,01	109,16†	62.29	379,45

* Undivided India.

† Including foreign bills purchased and discounted.

NOTE: Column (10) indicates (8+9+money at call and short notice) as percentage of (4) from 14-5-54.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,749,95	1,164,64	585,31	548,95	36,36	−42,89
1953-54 ..	1,846,35	1,219,22	627,13	549,83	77,30	+96,40
1954-55 ..	1,974,84	1,305,69	669,15	599,18	69,97	+128,49
May 1954 ..	1,830,54	1,229,31	601,23	563,56	37,67	
June ,, ..	1,798,01	1,199,85	598,16	564,99	33,17	−14,38
July ,, ..	1,769,96	1,167,95	602,01	568,64	33,37	−32,53
August ,, ..	1,764,85	1,159,94	504,91	577,98	26,93	−28,05
September ,, ..	1,767,40	1,166,93	600.47	576,01	24,46	−5,11
October ,, ..	1,791,02	1,179,19	611,83	579,08	32,75	+2,55
November ,, ..	1,801,96	1,182,56	619,40	591,39	28,01	+23,62
December ,, ..	1,843 23	1,218,99	624,28	597,20	27,08	+10,94
January 1955 ..	1,872,47	1,240,65	631,82	601,04	30,78	+41,32
February ,, ..	1,910,42	1,267,42	643,00	610,04	32,96	+29,19
March ,, ..	1,976,36	1,307,23	669,13	599,16	69,97	+37,95
April ,, ..	1,998,88	1,338,65	660,23	614,26	45,98	+65,94
May ,, ..	1,985,61*	1,334,59*	641,01*	616,89*	24,12	+22,52
June ,, ..	1,985,51*	1,340,94*	644,57*	623,33*	21,23	−13,27*
						−10*

* Provisional.

INDEX NUMBERS OF COST OF LIVING AND WHOLESALE PRICES IN FOREIGN COUNTRIES

(Monthly averages or calendar months)

(Base adjusted to 1948=100)

	Cost of Living			Wholesale Prices		
	Japan (1)	U.S.A.	U.K.	Japan	U. S. A.	U. K.
1950	123	100	106	193	99	120
1951	143	108	116	268	110	146
1952	150	110	126	273	107	149
1953	160	111	130	277	105	150
1954	170	112	132	281 (3)	106	151
1953 September	163	112	130	279	106	148
October	168	112	130	281	106	148
November	166	112	130	281	105	149
December	166	112	130	282	105	149
1954 January	169	112	130	288	106	149
February	170	112	130	289	106	149
March	170	112	131	287	106	150
April	171	111	132	277	106	150
May	170	112	131	280	106	151
June	171	112	132	277	105	152
July	172	112	134	278	106	150
August	172	112	133	275	106	150
September	171	112	133	275	105	150
October	173	111	134	274	105	150
November	169	111	134	270 (2)	105	151
December	168	111	135	268	105	153
1955 January	170	111	136	269	105	154
February	170	111	136	270	106	154
March	169	111	136	271	105	153
April	171	111	136	270	106	152
May	..	111	136	..	105	152
June	..	..	--	..	106	153

(1) New series (base 1951=100) linked to the old index at January 1951.

(2) New series (base 1952=100) linked to the old index at 1952.

(3) Average for ten months.

Source: U.S. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate		Area		Yield	
			Acres ('000)	Increase +or decrease —over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase +or decrease —over the corresponding estimate of the previous year (per cent)
Food grains:						
Rice	Final	1954-55	74,424	—3.4	24,209	—12.2
Wheat	Final	1954-55	26,842	+2.0	8,530	+8.5
Jowar	Final	1954-55	43,456	—3.5	9,092	+14.9
Bajra	Final	1954-55	27,350	—9.9	3,555	—20.3
Maize	Final	1954-55	9,325	—0.4	2,944	—0.7
Ragi	Final	1954-55	5,747	+0.6	1,778	—2.3
Barley	Final	1954-55	7,999	—8.3	2,786	—4.1
Gram	First	1955-56	20,991	+6.3	5,125	+7.3
Sugar cane			3,970	+8.9	..	..
Oil Seeds						
i. Edible—						
Sesamum	Final	1954-55	6,460	+1.8	592	+7.2
Groundnut	Final	1954-55	12,647	+16.4	3,823	+7.0
Rape & Mustard	Second	1954-55	2,087	+2.1	..	..
ii. Non-edible						
Linseed	Final	1954-55	3,290	—2.1	388	+3.7
Castorseed	Final	1954-55	1,273	—7.3	112	+3.7
Fibres:						
Cotton	Final	1954-55	18,346	+6.8	4,298 (a	+8 4
Jute	Final	1954-55	1,273	+6.4	3,153 (b)	+6.8
Other Crops:						
Tobacco	Third	1954-55	837	—3.9	238	—2.1
Potato	Second	1954-55	639	+0.9	1,600	—1.3

(a) In bales of 392 lbs. each of cotton lint. (b) In '000 bales of 400 lbs. each.

Source: Ministry of Food and Agriculture.

THE EASTERN ECONOMIST

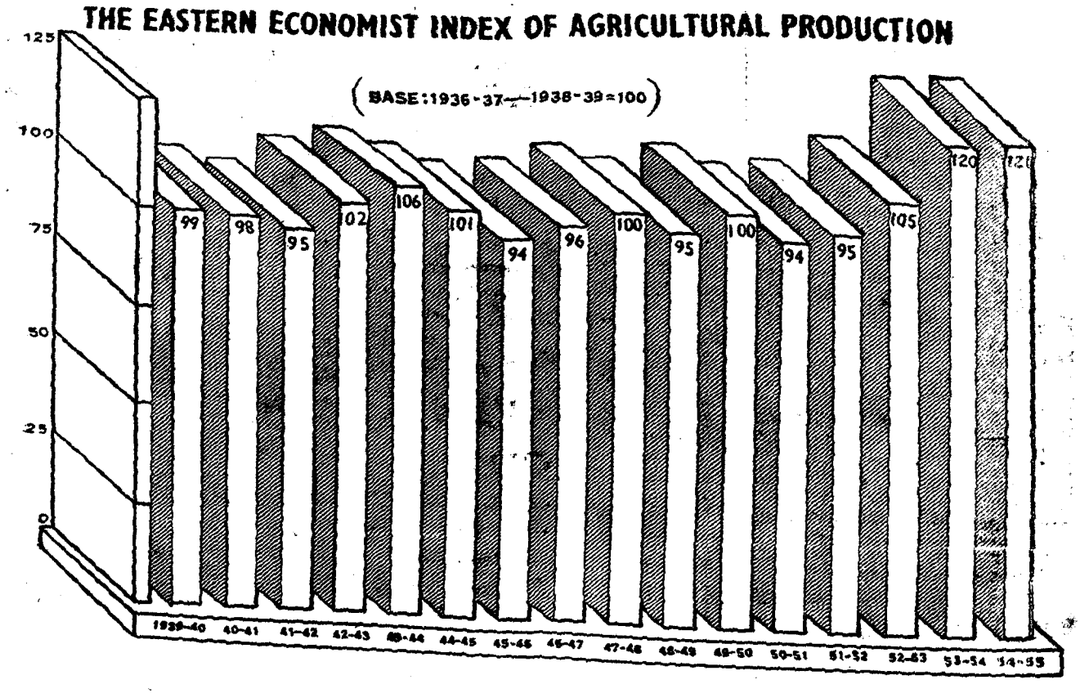
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INDIAN AGRICULTURAL PRODUCTION

(Base : Average for 1936-37 to 1938-39=100)

	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	(*) 1947-48	(*) 1948-49	(*) 1949-50	(*) 1950-51	(*) 1951-52	(*) 1952-53	(*) 1953-54	(*) 1954-55
Food Grains ..	**95**	**93**	**103**	**107**	**104**	**95**	**96**	**102**	**96**	**99**	**91**	**91**	**104**	**122**	**120**
Rice ..	88	92	99	109	102	96	104	102	98	101	88	90	98	118	105
Wheat ..	98	91	99	90	97	84	67	77	77	86	87	82	101	106	116
Millets	108	99	112	111	114	99	99	108	89	99	93	96	111	136	143
Gram ..	96	86	111	122	103	100	115	143	145	117	115	105	133	146	146
Fibres ..	**111**	**105**	**78**	**87**	**55**	**56**	**53**	**58**	**53**	**78**	**85**	**100**	**98**	**105**	**113**
Cotton ..	107	109	76	89	54	52	51	54	46	65	72	77	77	97	106
Jute ..	132	82	87	77	62	78	66	83	99	154	164	235	229	156	158
Oilseeds ..	**111**	**94**	**98**	**104**	**107**	**97**	**100**	**104**	**95**	**106**	**103**	**104**	**100**	**111**	**123**
Sesamum ..	110	95	106	102	88	88	81	88	84	108	113	110	113	132	141
Groundnut ..	118	82	91	125	122	110	114	109	92	107	109	97	92	114	122
Rape & Mustard	114	113	102	93	111	96	107	109	99	107	101	122	112	112	130
Linseed ..	99	81	92	86	89	83	77	101	99	97	85	73	83	83	91
Miscellaneous	**107**	**112**	**117**	**116**	**112**	**124**	**112**	**121**	**121**	**126**	**127**	**126**	**127**	**130**	**134**
Sugarcane ..	113	83	100	114	106	102	110	131	109	111	126	136	113	104	123
Tobacco ..	104	103	86	75	93	97	79	69	75	78	76	61	71	75	70
Tea ..	109	119	113	135	121	136	147	152	156	158	158	164	162	164	173
Coffee ..	89	112	102	108	108	159	96	99	139	128	116	130	142	172	184
General Index	**98**	**95**	**102**	**106**	**101**	**94**	**96**	**100**	**95**	**100**	**94**	**95**	**105**	**120**	**121**

(*) Revised.



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The Railway Plan

THE plan for railway expansion, which is now reported to be complete so far as the Railway Ministry is concerned, confirms mostly the earlier indications about the broad order of investment priorities required under the second Five-Year Plan. The original Plan-frame provision of Rs. 950 crores for transport and communications would have left only a little less than Rs. 800 crores for the railways—an outlay which would have had little relation to the demands to be made on transport by the other schemes in the Plan. Perhaps even without a reference to the details of their heavy industries programme, the authors of the Plan-frame could have realised the utter inadequacy of their provision for railway development if they had compared it with the outlay and achievement already recorded. The total expenditure under the first Five-Year Plan, now

expected to amount to Rs. 417.5 crores, involves an excess of Rs. 17.5 crores over the original provision. A major portion of this, or nearly Rs. 250 crores in all, has been devoted to rolling stock and machinery, involving the addition of over 2,000 locomotives, 5,800 coaches and over 60,000 wagons during the Plan period. This has proved inadequate even to fulfil the current demands for wagons from existing industry. There has been a progressive increase in the outstanding registrations, in spite of the fact that the carrying capacity of the railways has increased by an average of 8 per cent this year over 1954. It is generally admitted that better transport facilities alone can bring about an immediate increase of about 10 per cent in our industrial production.

Even this modest and as yet inadequate addition to the rolling stock has involved sacrifices in other directions. For new lines, track renewals and line capacity works, only Rs. 168.35 crores have been available and unless there is an expansion of these aspects of the railway programme, more rolling stock alone cannot meet the demands that are constantly being made on carrying capacity. Even ordinarily there would have been a case for building many new lines as part of development to open up backward areas in order to stimulate economic activity and make for a balanced regional development. But even such legitimate ambitions may have to be kept aside for the present in trying to meet the more essential and foreseeable demands arising out of the fulfilment of the accepted targets of the second Five-Year Plan.

The railways have now to make provision for an estimated increase of goods traffic by 50 per cent in 1961, judged by sheer volume alone. From about 115 million tons in the current year, the volume is expected to increase to 180 million tons in 1961—at a rate of 10 per cent per year. Considering the present deficiencies in wagon supply, the task would be big enough if the additional demand is directly in proportion to this physical increase. But the regional pattern of development may often involve longer haulage per ton, involving longer ton-miles and consequently a more than proportionate increase in movement capacity. The railways hope to show an increase in operational efficiency of about 10 per cent—perhaps they ought to strive for even more. Anyhow, if their present calculations are right that the coal, steel and cement targets of 1961 would alone involve an additional outlay of Rs. 515 crores on railways, the framers of the Plan have, indeed, been slipshod in their assumptions. These three alone may account for two-thirds of the estimated additional goods traffic; the general goods traffic and the passenger traffic arising in the next five years will thus need separate provision, estimated at an equal amount.

It is possible that the Railway Board has not yet explored whether it can yet attempt to make each rupee of its proposed outlay go the longest way. If it has already done so, then even this enlarged plan of Rs. 1,500 crores seems to contain many conservative assumptions. For example, the wagons intended for coal will only be about 24,000 against estimates of possible requirements of nearly 50 per cent more. The increase in passenger traffic—3 per cent for additional passenger travel and 3 per cent to reduce overcrowding—may also be much more, though here it is possible to lay down that the consequent hardships should be endured as part of the sacrifices of welfare in the present.

Thus the railways' case for a very large outlay seems irresistible but since they can themselves provide only about a fifth of the proposed outlay from their own resources which is not even adequate to meet replacement requirements, some pruning seems to be inevitable because the entire investment in the public sector at the Centre will have to be kept around Rs. 2,050 crores. No cut can be enforced on the railways on the ground that resources are needed for heavy industries because such investment in industry will have no meaning unless reinforced by railway investment. This places the Planning Commission in a dilemma. A possible way out lies in the adoption of the method now becoming usual—of making tentative provision within the scope of existing resources, subject to expansion later on according to the additional resources available. Except for the provision for steel, this method would be more appropriately applicable to the industrial investments of the public sector rather than in railways. So long as the railways are strengthened, the economy can develop even without some of the projects now scheduled to originate in the public sector, like coal for instance. The industrial programme for the private sector, involving investments of over Rs. 750 crores would, along with the more essential projects in the public sector, ensure a fairly high rate of industrial expansion in the next five years.

The proposed investment of Rs. 460 crores on rolling stock would allow little scope for reduction. About Rs. 200 crores will have to be spent as now estimated on line capacity works to double about 2500 miles of track, effect conversions of gauge, strengthen bridges and increase yards and sidings. (This excludes renewals of track on which about Rs. 125 crores will be spent in the normal course.) Workshop extensions involving about Rs. 65 crores will be in the same category of essentiality. So the problem may reduce itself to one of examining how much of the electrification plan (Rs. 130 crores) and the new lines for 3000 miles (Rs. 200 crores) can be abridged, though even such reduction is greatly to be deplored. A second reason which may prompt such reduction is the availability of materials. It is estimated that the Plan involves a million tons of steel—perhaps a very loose estimate. Together with other steel needs under the Plan, this may impose a serious burden on foreign exchange resources, even if the total physical quantities of steel needed by the country are readily available in the next five years. The railways must learn to make more precise calculations of their requirements if their programme should go through smoothly and substantially intact.

The Plan as now conceived prevents the perpetuation of the error of low priority accorded to railway transport, which had crept into the first Plan but was then excusable because of the conditions under which it was framed. Unlike other Ministries of the Government of India which have to defend their own projects, the railways are in the more fortunate position of being able to throw the burden of saving their plan on others who have a common stake in its proper implementation.

Ferment in French Africa

AMONG the troubled spots in the world today, Morocco, Algeria and Tunisia have been the worst in recent week. Arab nationalism has been aflame. This was no new development; such periodic upheavals have been a consequence of the suppression by French colonial rule of the movements for self-governments in this part of the world. The opportunities which existed in the past for coming to terms with the nationalists have been recklessly thrown away.

The cause of the trouble in Morocco, which on August 20 flared up into a horrible blood-bath, was the determination of the nationalists to secure a measure of home rule. The French have been divided, with the Left favouring concessions, and the Right opposing them, and part of the problem has been the virtual veto which French settlers exercise on concessions devised in Paris. The trouble assumed an aggressive turn when, two years ago, a French Government of the Right deported the pro-nationalist Sultan Sidi Mohammed ben Youssef to Madagascar and replaced him with the candidate of the settlers, ben Moulay Arafa, who has subsequently been encouraged to hold on to his "Gadi" on the strength of the Divine Right theory. The nationalists, however, have been demanding the return of the exiled Sultan.

The holocaust of August 20 this year marked the second anniversary of his deposition. Soon after the killings, the French Premier, Edgar Faure, initiated talks with Moroccan leaders on a compromise plan which had been worked out by the French Resident General in Morocco, Gilbert Grandval. The French settlers vehemently protested against this plan and forced the resignation of General Grandval. Premier Faure was, however, able to persuade the Cabinet to approve of the Grandval scheme, the salient features of which were that Sultan Arafa will be gently removed and replaced by a Council of the Throne which will name a Moroccan Cabinet to negotiate with France a treaty giving Morocco a measure of home rule and secondly, that the exiled Sultan will be brought back from Madagascar to France, but will not, for the present, assume his old office. This reform was scheduled to be introduced by September 12.

With a view to implementing the plan, Premier Faure named M Pierre LaTour as the new Resident General. Unfortunately M LaTour has been unable to secure the willing co-operation of either the French settlers or the nationalists —although for entirely contrary reasons. Meanwhile, Sultan Arafa has been refusing to abandon his "divine mission", even though in a recent letter to the French President he has only asked for specific guarantees about his future if the hand of man did ultimately remove him from power. Added to these is the tussle about the composition of the Throne Council. A deadlock has arisen in regard to the selection of a third man. French settlers insist on someone known for his pro-French attitude, since they feel that the two members already selected are closely identified with nationalist parties. Even if this tussle is resolved, there is no guarantee that it will satisfy Moroccan nationalist opinion which has been critical of the nature of the "representative government" that is to be set up. Further, the population will resist any move which will mean the ending of the Sultanate. What they demand is a national government with the popular Sultan (who has been exiled) reinstated. Nationalist patience is wearing thin as bickerings in the French Cabinet continue and the dynastic question and the issue of formation of a representative government are still undecided.

The upheaval in Morocco has had its inevitable repercussions in Algeria where an uprising broke out on the heels of the Moroccan killings. Thousands of French troops have since been engaged to suppress the freedom movement, guard French settlers and probe nationalist strongholds in the Aures mountains. The colonial power has failed to satisfy the political leaders by its projected piecemeal reforms, such as teaching of Arabic in State schools, reform of land tenure and a beginning on self-government in the villages. The clamour for adequate voting rights has been disregarded. People also fear that Algeria will be trapped between the two French North African protectorates—Morocco and Tunisia—by dominating which, France will concentrate its troops, now scattered in the three territories, in Algeria.

In Tunisia too only a weak compromise has, in fact, been effected between the incensed Tunisian nationalists and the furious French colonialists. France claims that the settlement, now effected, has transferred control of all the country's internal affairs to the "National Government" headed by Premier Tahar ben Ammar. When M Mendes-France was in power, he met nationalist feelings in a statesman-like manner but the goodwill thus created has not been consolidated by his successor government. Exiled patriots, including the leader of the Istiqlal party now in Spain, point out that Tunisians have come under full control of France after having accepted the French-Tunisian agreement. Before the agreement, they claim, the French had an illegal control of the country, but now they have acquired the legal right to rule the country under a facade of representative government.

It cannot be gainsaid that the present-day troubles in North Africa are the direct result of France's bungling. What is wanted is a proper understanding of the awakening in the entire Moslem world and a bold determination to face the realities—the courageous leadership that M Mendes-France had shown a year ago in respect of Indo-China and the erstwhile French India. The days of colonialism are numbered everywhere, and French attempts to maintain it in North Africa are bound to fail. The current session of the U.N. General Assembly, which is expected to take up the question of Morocco, Tunisia and Algeria, should call upon France to follow the path of sagacity, if not of reason.

Elections and the Law

THE experience of the first general elections in India in 1952, under the Republican Constitution, brought home many lessons, the chief among them being that our faith in democracy based on universal suffrage can certainly be sustained. Apart from the good sense of the people who exercised their franchise, the success of the experiment was due to the soundness of the electoral law and its impartial administration, which guaranteed free and fair elections. But some complicated and trivial technicalities robbed it of simplicity; how cumbrous and vexatious the legal procedure could become, was borne out by the unwieldy crop of election petitions whose remanants still remain to be cleared more than three years after the elections. A repetition of this procedure has to be avoided at the next general elections due in 1957. It was, therefore, appropriate that two Amendment Bills to the Representation of the People Acts of 1950 and 1951 have come up before Parliament in due time.

The first Amendment Bill primarily aims at simplifying electoral rolls by eliminating duplication as between rolls for parliamentary and legislative assembly constituencies. The other Bill, which relates to the Act of 1951, is the more vital and comprehensive of the two. It deals with the procedure governing nomination of candidates, accounts of election expenses, election petitions and tribunals and cognate matters. The existing law on nomination papers and their acceptance or rejection by the returning officer is admittedly the most rigid and full of technicalities. Its insistence on conformity with petty formalities has gained a good deal of notoriety. The Amendment Bill goes a considerable length in removing some of the unnecessary formalities. All clerical or technical errors in nomination papers regarding the names or numbers of candidates or their proposers can now be allowed to be corrected to bring them into conformity with entries in the electoral rolls. Discretion is granted to the returning officer to direct that in obvious cases clerical or printing errors in the entries in the rolls should be ignored. The need for a seconder to the nomination is being dispensed with and scheduled caste or scheduled tribe candidates are being spared the meaningless obligation to file separate declarations about their status as such. When it is recalled that more than one-third of the election petitions after the first election arose out of nomination papers, the vital significance of these amendments for simplification can be readily appreciated.

The returning officer has earned a reputation as a powerful agency that could wreck parliamentary careers because of the summary powers of rejection of nominations without appellate or revisional correctives until long after the elections are over. It has not been feasible to devise summary appellate or revisional remedies in the Amendment Bill, but on the other hand expediency and considerations of costs have dictated the desirability of shortening the duration of the election programme from nomination to poll by a fortnight. This objective has been secured by setting early time-limits on filing of nomination papers, scrutiny, withdrawal and poll. But likely injustice resulting from improper rejection of nomination papers is attempted to be minimised by restricting the powers of the returning officer in regard to rejection. A large area of highly contentious grounds, covering complicated questions of law and fact as to whether a candidate is subject to disqualification, has been excluded from his cognizance. Grounds of rejection should be confined to questions concerning the candidate's possession of the main qualifications which are easy to determine.

There is probably much to be argued in favour of lightening the burden of the obligation to render meticulous account of expenses incurred, though the politician is apt to be more inconsiderate when he makes prescriptions for private business or ordinary citizen. While the primary duty of maintaining accounts will continue to rest on the candidate or his election agent, expenses borne by the recognized party organization have been excluded from the return which he has to submit. But more vital than this relief is the release from the highly elaborate form of accounts involving a dozen intricate entries. It is to be substituted by a simple pattern. Restrictions on employment of persons on payment to assist in the conduct of election activities, which were hardly enforceable in practice, are being removed with a corresponding obligation to present the correct position as regards expenses.

Dilatoriness, high costs and superfluous impleading of parties have been the bane of the procedure on election petitions. The period of limitation to file election petitions is no longer to be left to be prescribed by rules, but it is to be statutorily fixed at two months after the date of the election of the candidate which is being advanced to coincide with the date of announcement by the Election Commission. The power to condone delay is being deleted, while little exception can be taken to the further extension of powers of the Election Commission to dismiss the petition for non-compliance with law. The law on joinder of parties is being made compact and free from vexation or trouble. Only those candidates who are prima facie interested in the decision on the petition—the returned candidate and those against whom allegations of corrupt practices are made—need be joined as respondents. This is without prejudice to the right of other candidates to apply for joinder. The constitution of Election Tribunals will now be simplified and reduced to two sitting District Judges, with provision for reference in case of difference of opinion to a High Court Judge appointed for the purpose by the Election Commission.

The existing law on the invalidation of an election is being rationalised by restriction of the Tribunal's power to declare only the elections of the returned candidate void, instead of adjudging the whole election invalid, where improper acceptance or rejection of nomination or other grounds materially affect the election of the returned candidate. In case of plural-member constituencies, where election to reserved seats is uncontested, invalidation of election to general seats on grounds of corruption, intimidation and so forth is not to affect the uncontested election to reserved seats. This is quite understandable. But the major drafting lacuna in the amending Clause 53(1) of the second Amendment Bill consists in making no provision in case where a reverse situation arises as between elections to the reserved and general seats. This inadvertent omission needs to be rectified.

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THE WEEK'S NOTES

AGENDA FOR THE ASSEMBLY

THE TENTH regular session of the U.N. General Assembly, which opened in New York on September 20, bids fair to be one of the most important meetings, faced as it is with several issues of deep international and regional significance—such, for instance, as disarmament, economic development, atomic energy, U.N. membership, and North African, Korean and Palestine troubles. The session will bring the first examination of world problems in the light of the "Geneva spirit". Directly or indirectly, the encouraging development of international co-operation in the peaceful uses of atomic energy promises to impinge upon many subjects which the Assembly will be considering. Disarmament, on which the U.N. has been working for 10 years, comes before the Assembly in a report by the Disarmament Commission. The nature of the Assembly's debate on disarmament will largely depend upon the results of the current sub-committee meetings and the four-power conference of Foreign Ministers which is scheduled to meet in Geneva on October 29. President Eisenhower's bold proposal to exchange military blueprints with the Soviet Union is expected to come up for discussion. The meeting will also hear a report on the progress made so far toward the establishment of an international atomic energy agency. India has asked the Assembly to take up an item dealing with dissemination of information on radiation effects observed in thermonuclear experiments.

While sharp political issues, including the Cyprus and Moroccan uprising, will attract the most public attention, certain economic matters of significant regional interest are also bound to engage the attention of the countries concerned. An outstanding economic subject scheduled for discussion is "the economic development of underdeveloped countries". Debates on this subject are expected to focus attention on provision of capital for economic development and supply of technical assistance. The Assembly is likely to set in motion a new mechanism—the International Finance Corporation—which is designed to help finance enterprises without the governmental guarantees required for World Bank loans. One U.N. programme for assisting economic development that has been functioning for five years is the Expanded Programme of Technical Assistance. As this programme has been beset by excessively high administrative costs, certain recommendations to meet the difficulties will shortly be presented to the Assembly by the Economic and Social Council. The 10th Assembly, it is noteworthy, has also to decide whether it should convene a Charter revision conference.

RELIEF FOR REFUGEES

THE DISCUSSIONS in Parliament on the Displaced Persons Rehabilitation and Compensation Rules, when nearly 250 amendments were proposed, have shown how complex the problem is. While the concessions announced by the Rehabilitation Minister go a long way in meeting the demands of refugees, they may give rise to some new difficulties. Among the more important proposals are the decision to raise the minimum value of auctionable property to Rs. 10,000 for both shops and residential houses. Rural properties are to be treated on par with urban properties for purposes of compensation. Recovery of small loans, maintenance charges, etc., is to be waived and a lakh of claimants will be paid every year. Whereas there are no two opinions on the urgency of such relief, it appears that the measures will increase the pressure on the Compensation Pool which, at the present time, amounts to Rs. 135 crores, comprising the value of evacuee property estimated to be Rs. 100 crores and the value of houses and shops built by the Government for refugees, assessed at Rs. 85 crores. In order further to swell the pool, Mr. Khanna hopes to take up the matter of recovering from the Pakistan Government Rs. 400 crores, being the difference between the values of property left by refugees in West Pakistan and that of the evacuee property in India.

Obviously, these figures on paper are more imaginary than real. It is very likely that the pool property will fetch far less than the estimated figures and it is too optimistic to hope at this stage that Pakistan will develop new virtues which will make her think of paying in the near future. Much depends, therefore, on what amount can be realised from the non-claimants, who benefit by the present concessions. There are, however, no adequate legislative measures which can be employed effectively to recover the money to ensure a regular flow to the pool. Mr. Khanna could have done more than merely appeal to this class of refugees, occupying over 50 per cent of the pool property, for prompt payment to avoid any disagreeable possibilities. The feeling today, that the rules now framed with the best of intentions may ultimately succeed only to a limited extent in providing relief to refugees on an equitable basis may not be entirely without substance.

BREAKING SOCIAL BARRIERS

DOWN THE ages, the Hindu society has remained caste-ridden, and it should not be surprising, therefore, that though much has been done for the amelioration of the 11 crores of Scheduled Castes and Tribes during the last few years, more remains to be done. The Constitution of free India abolished untouchability, but because of the very deep roots it had struck in the society, this evil exists in one form or another, and can be completely eradicated by proper education and enlightenment of the general masses. This, indeed, is bound to be slow and requires patience and hard work on the part of all concerned. Nevertheless, as the report for 1954 of the Commissioner for Scheduled Castes and Tribes shows, various State Governments and some government-aided non-official agencies have launched intensive propaganda drives for its removal. Penalties are imposed by law for the practice of untouchability. Interdining in hostels and such other places has been introduced and many public temples, hotels and wells have been thrown open to Harijans. Legislative measures have been adopted for providing security of land tenure to members of the Scheduled Castes and Tribes, and tribal belts and blocks are coming into existence. However, the most difficult problem of the Scheduled Tribes is to settle them on a permanent footing and do away with the shifting cultivation to which they are accustomed and are reluctant to give up. In a few States, legislation for conciliation and redemption of debts is being introduced for the relief of all, including the backward classes.

There are, however, other problems which have not received proper attention so far. For instance, there is the question of housing for Harijans, for which some provision is hoped to be made in the next Plan, both in urban and rural areas. In the sphere of their education, importance will need to be attached not only at the school or university level, but also to their professional and vocational education. They must also learn to shed their inhibitions, acquired through ages

of suppression, and must assert their new position in the society. As for the colossal problem of employment, which is not peculiar to these classes of the population only, a higher representation in Government services may raise their status in a social sense; but it can solve only a small fraction of the problem. Cottage industries like weaving, tanning and shoe-making, would engage a large number of Scheduled Castes. Encouragement of the mobility of occupation may prove useful. If their main trades are more remunerative, people from other castes also may be attracted to such trades, thus washing away the stigma attached to the backward groups.

RESTRICTIONS IN RETALIATION

IN REPLY to questions put in Parliament about restrictions imposed on Indians settled in Portuguese East Africa, Mr. A. K. Chanda, Deputy Minister for External Affairs, said that further restrictions have since been imposed on Indians in that territory to stop remittances to India. He also referred to Press reports that the Portuguese Government had decided to impose a tax on all Indian merchants carrying on business in Portuguese East Africa as well as in other territories like Goa, Daman, Diu and Angola. No details regarding the form or the quantum of the tax, he added, were available as yet. Referring to the steps taken by the Government for the removal of their difficulties, Mr. Chanda said that at one time it was intended to appoint a representative of the Government of India in Portuguese East Africa to look after the interests of Indians but, considering the strained relations between Portugal and India, the proposal was not pursued.

While it will be unwise to disregard the adverse effects of these restrictions, one relieving aspect of the situation is that Indians in Portuguese East Africa number not more than 12,600 and the volume of remittances which these settlers make to their dependents in India is not much. On the other hand, the Portuguese authorities have already begun to feel the pinch of India's economic sanctions, particularly the cessation of remittances from India to the colonial pockets concerned.

MALAYA'S BID FOR PEACE

ONE OF the main points in the election manifesto of the Triple Alliance, which won a sweeping victory in the general elections recently in Malaya, was its promise of amnesty for the Communist terrorists, who are now in hot water. During the last eight years, the Communists' activities have been gradually but steadily frustrated, though at a huge cost of blood and treasure. With a popular government in the saddle, enjoying the backing of vast sections of the population, their powerful weapon of anti-colonialism has also been knocked out of their hand. Realising this change in their fortunes, the Communists may be all too anxious to avail of any opportunity that would extricate them from an impossible position.

The present offer of amnesty has been made in the hope of bringing peace to the innocent civil population who have been the principal victims both of the insurgents, who always forced them to supply food and aid, and the stiff security measures which weighed heavily on them. Essentially, the offer contains little more than the extension of application of a more or less existing practice of leniency towards the Communist prisoners, and encouragement and aid to rehabilitate themselves. The past activities of individual Communists will be pardoned and if any of them, particularly those of Chinese origin, desire repatriation, their request will be considered. If the offer yields the desired results, the relatively wealthy land, with immense resources, will have been put on the path to progress and prosperity. Else, if the Communists are only biding their time to return to terrorism, the country will again have to remain as in a state of siege.

THE MOSCOW AGREEMENTS

WHATEVER HAS emerged from the discussions between the West German Chancellor and the Soviet leaders seems to have enhanced Dr. Adenauer's prestige at home. It is significant that Russia has conceded full diplomatic recognition to West Germany and the question of the prisoners of war has been solved to her satisfaction. Regarding the latter, there arose some sharp differences, but a solution was found similar to that arrived at between Russia and Austria four months ago. It is quite possible, however, that the criminals still to remain in confinement in West Germany will obtain release in due course, as has happened in the case of Japan.

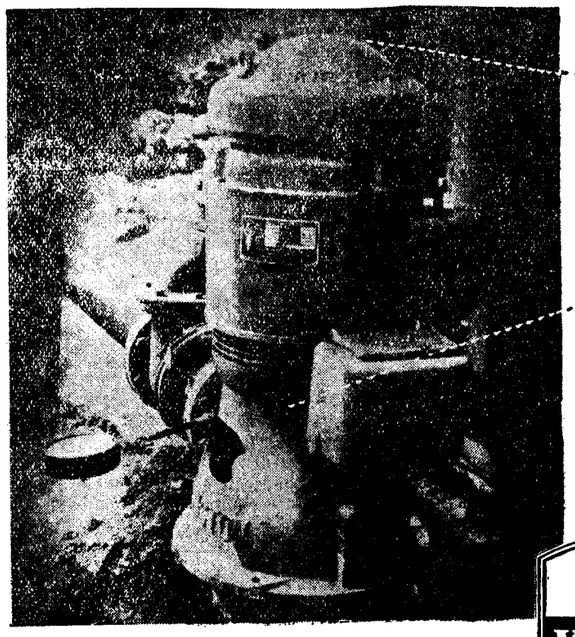
The exchange of ambassadors between the two countries, which does not mean the recognition by Bonn of East Germany and the Oder-Neisse frontier, is calculated gradually to facilitate normalisation of their relations. The exchange should help West German manufacturers by providing proper means for the discussion of East-West trade. Unusually, even after ten years of the cessation of hostilities, the two countries have not signed any formal peace treaty. But it is more than likely that Moscow will strive to press hard the Russian viewpoint before any such treaty can be signed. On the vital question of the unification of the two zones, the two sides were left as far apart as ever. But both sides are looking to the future, determined to achieve unification on their respective terms.

"HARMFUL PUBLICATIONS"

CONSIDERING THE widespread circulation in this country of publications containing stories of the glorification of crime, violence and vice, and their undoubted influence in corrupting the impressionable minds of the youth, the Government of India has been none too early in bringing before Parliament the "Young Persons (Harmful Publications) Bill, 1955". The pictorial publications, called "horror comics", exert a powerful influence particularly on the students and neo-literates, providing them with ample food for perverse and sinister thoughts. The existing ban on the import into India of "horror comics", under the Sea Customs Act of 1878, has been ineffective inasmuch as it has provided a fillip to the production of such harmful publications within the country. This domestic enterprise needs to be curbed, and the Bill, now introduced in the Lok Sabha, seeks "to prohibit the production in India of such literature or of any variant and its circulation within India."

A "harmful publication" is defined as any publication which consists of stories told with or without the aid of pictures, or wholly in pictures, "in such a way that the publication as a whole would tend to corrupt a young person into whose hands it might fall." A "young person" means a person under 20 years of age. The State Governments, under the Bill, have been authorised to seize and forfeit to the Governments concerned any "harmful publication", but obviously it would be very difficult, in practice, to find out which publication could, with justification, be brought within the purview of this description.

Laudable as the measure undoubtedly is, it raises the question whether it will exorcise the entire "evil spirit" haunting the country's youth. Are the provisions in the proposed Bill precise enough to exclude only the harmful comics? Who would decide whether a publication would "tend to corrupt" or not? Would there be any standards by which wide variations in judgment on this most difficult question would be avoided?



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A Window on the World

MOUNTBATTEN, CHESTER BOWLES AND MACDONALD

By

ODYSSEUS

MOUNTBATTEN and Chester Bowles, in their different ways, roles, and spheres, have been two of the most original personalities to impinge on India's consciousness in recent years. They have those gifts of imagination and breadth of vision which either charm or antagonise ordinary people. You regard Mountbatten either as one of Britain's greatest assets in statesmen or (if you belong to a diminishing band of old "koi hais") as "that damned fellow who landed in India on Saturday, March 22, 1947, and had given it away, lock, stock, and barrel by August 15." You regard Chester Bowles either as a great American who has a talent for friendship, or as a publicity hound whose calculated public and platitudinous enactments of "democratic behaviour" were the jaded gossip writer's joy.

By the time that these lines are in print, Delhi should be dodging the blast from a third bombshell—Malcolm MacDonald, the new British High Commissioner in India. In the course of the years, I have caught glimpses of Mr. MacDonald at close quarters from time to time: we were contemporaries at Oxford; then I had occasion to confer with him when he was British High Commissioner in Canada during the war; and recently in view of his impending appointment to India I have, on your behalf, given myself an intensive course in MacDonaldism. I have read and pondered every public utterance that he has made since his departure from Malaya; I went to hear him speak at length before the Commonwealth Correspondents' Association in London; I watched him being cross-examined on South-East Asian affairs on television by a distinguished panel which included Mr. H. V. Hodson, sometime Reforms Commissioner in New Delhi and now editor of the "Sunday Times", and Mr. Shelvankar, London correspondent of "The Hindu", and not least I had the pleasure of an hour's private conversation with him, alone and without that inhibiting bane of the interviewing correspondent, the presence of a closely watchful and suspicious public relations officer. I won't tell you what we talked about because all that Mr. MacDonald has to say for publication he has already said at recent press conferences. Instead, I will try to convey something of the man who is going to spend the next three years or so in your midst.

It is certain that Mr. MacDonald will soon be in trouble with some people in India because he is observant, reflective, and sincere, and has the courage of his opinions. I add that in the ensuing dust-up it is likely that I shall be on his side for the same reasons that I was on Mountbatten's and Bowles', for I think that the bite of these three men is infinitely more important than their bark.

ITALIAN AMBASSADOR'S TOP HAT

Make no mistake—neither Mountbatten nor Bowles would have achieved the good-will for their countries and the personal respect and affection for themselves that they did if they had not been big men—just the kind that give little, quiet, well-mannered, conventionally minded men inferiority complexes which make them try to re-assure themselves by sneers and personal attacks. The big man is often an uncomfortable superior or colleague because he refuses to be daunted by the obvious and proceeds to cut through Gordian knots. Surely it ought to be recognised that the important thing about Mountbatten was not that he caused delight among press photographers by publicly stopping everything so that a hard working chaprassi should be given a drink on a broiling day, nor even that he carried out Britain's official policy—anybody after all could have done that—but that he carried it out in such a way as not merely negatively to end an era of Indo-British strife, but positively to begin an era of Indo-British co-operation. And the important thing about Chester Bowles was not the notorious "democratic act" that he put over by borrowing the Italian ambassador's top hat and tail coat in order to present his credentials, but that whereas at the beginning of his period in Delhi, Indo-American relations were full of suspicion, at the end they were cordial.

To find ways out of deadlocks as, in their different ways, did Mountbatten and Bowles, requires the courage to quit the well-trodden path beset with apparently insuperable difficulties, and to risk a new approach. It is this that upsets the wary old hand (who can only see the pitfalls) and it is they who seize upon and magnify the trivial, so that Bowles' contribution to Indo-American relations is overlooked, while the photogenic departure of Mr. and Mrs. Bowles on cycles from an official reception just as the Soviet ambassador drives off in a bullet-proof limousine, is repeated until it becomes part of Delhi's diplomatic mythology.

SIGNIFICANCE OF MACDONALD'S APPOINTMENT

Doubtless the mythology that sprang up round Mr. MacDonald's forthright personality in South-East Asia has preceded him to Delhi. If so, forget it. For what is important to India about Mr. MacDonald is to grasp that his appointment as U.K. High Commissioner reflects the importance which the British Premier attaches to Delhi as a Commonwealth and diplomatic centre—a statement which is not just a piece of journalistic exuberance but which I make after enquiry in authoritative quarters. So far, Britain has been represented in India by a series of career diplomats (admittedly of the greatest distinction), but over them Mr. MacDonald has the advantage of a long political career—he was a member of the House of Commons for 14 years; he has been Minister of Health; Secretary of State for Dominions' Affairs; Secretary of State for Colonies—so that he arrives in Delhi with the experience, and with the prestige, of a cabinet minister behind him. The reports of career diplomats are, of course, read, and even on occasion acted upon, but if they are ignored, there is little that the diplomat can do about it. He is a civil servant. He cannot tell ministers where they get off. But Mr. MacDonald is a politician. and if on any subject to which he attached importance, he found that his views were being ignored, he could bring political influences to bear on the Commonwealth Relations Office, and, in the last analysis, he could resign and create an almighty stink. Public stinks are the last thing that politicians want if they can possibly avoid them, so the chances are that Mr. MacDonald's advice will not be ignored. So much for the benefits that the British government may derive from Mr. MacDonald's work in India. But what about the government of India? Can he offer them a new angle on any of their problems?

In his talk with me, Mr. MacDonald let slip no suggestion that he could, but to anyone who reflects over his experience, the thought must surely occur that here is an opportunity at least to compare notes and to get another point of view.

After his five years as High Commissioner in Ottawa, the Labour government in 1946 sent Mr. MacDonald to be the first Governor-General of the new post-war Malayan Union and the new colony of Singapore; the sphere of his authority also included North Borneo, the new colony of Sarawak, and the protected state of Brunei. His difficulties began at once, for the new constitution was not popular so Mr. MacDonald held consultations with the Malayan sultans and the Malay National Organisation and submitted new proposals to London. Eventually a new constitution was framed and came into being in 1948 as the Malayan Federation. Shortly after, Lord Killearn's ambassadorial appointment as Special Commissioner to South-East Asia ended and his post was combined with Mr. MacDonald's.

For no less than nine years has Mr. MacDonald been called upon to study South-East Asia's economic and political problems, to watch at first hand the criss-cross of international relations, and to meet and consult with the dominant personalities of a vast area which is rather larger than the Indian Union and is populated by half a dozen races totalling 90,000,000. Nor is his knowledge mere book learning or drawn solely from official sources. After listening to Mr. MacDonald talk about South-East Asia you may, as I was, be impressed by his genuine interest in people which, combined with his absence of racial feeling, gives him a friendliness and an unselfconscious ease of manner which has meant that, whatever critics he may have stirred up among the less progressively minded of his own compatriots, he has no critics among Asians—save only Communists. Asians have given him their confidence and friendship. His sympathies are with them in their aspirations for the consolidation of their independence.

Mr. MacDonald has Mr. Bowles' preference for the mofussil, for being anywhere among the people, rather than reading reports about them in an air-conditioned office hundreds of miles away. In short, he brings to Delhi a fund of South-East Asian expereince absorbed from sources different from those available to India's diplomats (just as they have sources not available to him) into which they may find it useful to dip (as he into theirs).

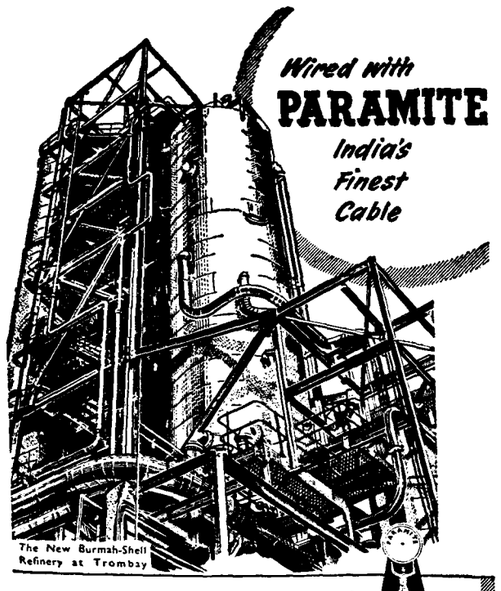
Certain it is that since Lord Halifax was appointed with cabinet rank during the war to be ambassador in Washington, Britain has not sent abroad a representative of the calibre and prestige that she has chosen to send to India today. There ought to be something in this for both nations, and for the Commonwealth in which they are partners.

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In the Valley of Decision

HITCHING WAGONS TO THE PLAN-STAR

TO the average politician, as to the popular press, the major ingredients of a policy for the railways would appear to lie in cheap fares and travel concessions, faster services, no overcrowding, fans and sleeping berths, wholesome catering, not to speak of corridor trains, radios and perhaps television too in time. One can thus tempt the common man into the belief that getting more and more for less and less is the easiest thing in the world. It is hardly surprising, therefore, that in the absence of such attractions the Railway Plan for the next five years, which in terms of outlay is the most formidable, has not hit the headlines. If the Railway Board's proposals for railway development at a cost of about Rs. 1500 crores go through, they would involve the largest outlay in any single sphere of development. Even if the Plan has to undergo a cut —one can almost hear the sharpening of jealous axes around—it will still remain big by present standards. The most curious thing, however, is that it is not a theme around which popular enthusiasm can be aroused, because moving coal, steel and cement does not normally stir the average man's fancy and open up new vistas of ease in travel and comfort.

So the Railways have a problem of selling their plan to all, except economists or business men who are already converted to the view that railways should face and solve the stupendous problem of goods transport arising out of the demands of the Plan. In volume alone, the goods traffic to be moved may increase at a rate of 10 per cent per year—from an estimated 120 million tons in the current year to 180 million tons in 1961—to cause a 50 per cent increase at the end. But a country-wide development would involve more and more of long distance movements—thus increasing the wagon demands more than proportionately to the volume. The Railways are ready to promise a 10 per cent increase in operational efficiency as part of the bargain, but still the gap between potential demand and present capacity yawns so wide that something like a second railway system has to be added to the existing one before these demands can be satisfactorily met.

Why does this come as a revelation just now? The original Plan-frame assumed that much less than Rs. 800 crores (of a total provision on transport and communications of Rs. 950 crores) would be sufficient. This was based, as far as one would guess, on the simple rule-of-thumb, that the second Plan being about just double the first in the size of the outlay in the public sector, the railway investment could also be just doubled. A fit of absent-mindedness made the planners overlook that the Plan for heavy industries involved much more than that in terms of transport. The complementary investment needed in transport to the Plan-frame targets, according to the Railway Board now, is as follows: Rs. 231 crores for coal movements, Rs. 220 crores for steel, Rs. 64 crores on account of cement, Rs. 300 crores on account of additional general goods and about Rs. 220 crores for the needs of passenger traffic (to provide for new traffic as well as to reduce overcrowding). These considerations did not apparently cross the minds of the authors of the Plan-frame. With a little imagination they could have noted that the Railways today are still feeble in meeting the relatively more modest demands now made on them for wagons, even after fulfilling the investment provision in the first Plan.

This serious lapse now makes it appear that the Railways are in some way demanding 'more', as though merely to satisfy their sense of importance. They need Rs. 460 crores for more locomotives, wagons and coaches; this will put on the lines about 2,000 locomotives and 100,000 wagons after meeting replacement needs, which will involve about half as much in each category. The construction of new lines—about 3,000 miles—would require about Rs. 200 crores; at least half this length will be absolutely essential to meet industrial demands in the immediate future. Another Rs. 200 crores on line capacity works—which include doubling of track, conversion of gauge, sidings and all those little matters which will enable more movement on existing lines—cannot be considered extravagant. After providing for electrification (Rs. 130 crores), workshop extension (Rs. 65 crores), stores and materials (Rs. 100 crores), barely Rs. 15 crores will go towards passenger amenities.

This is cold comfort to the railway passenger. There is provision for an increase of only 3 per cent in passenger traffic and another 3 per cent to reduce overcrowding. But the tempo of development—involving travel for work, migration to work sites—involving subsidiary travel of 'in-laws'—and other movements due to higher incomes—may all actually involve many more demands on coaching traffic, making the position worse, not better. Here one will find proof of development through austerity, a programme of self-denial by one generation in the interests of the next, because it means demand for a service the means of satisfying which cannot be created in the short run without affecting other plans.

The demands made by the Railways will be Gargantuan, not only in terms of outlay but also in the volume of physical resources. A million tons of steel a year—which is the current Railway Board estimate —for railways alone seems quite grasping, when our total imports may be kept around this figure. The Railway Board has yet to work out the detailed implications of its plans and prepare for the day when the axe begins its work. If the estimate is right that about 40 to 45 per cent of this outlay would constitute the foreign exchange requirements, there would again be an additional source of strain. The extent to which these difficulties would be minimised thus remains to be worked out. At best, only half the wagons and locomotives needed could be built within the country and even this would be possible only if sufficient steel is available.

The problem of the railways thus compels attention to the problem of the roads. The extent to which road traffic can relieve the pressure on the railways—both passenger and short distance goods traffic—must be fully explored and co-ordinated with this Plan. The new lines proposed for the backward areas will most probably suffer the first cut if the Plan is reduced; but others—especially private industrial demands in other than essential industries—cannot escape their turn.

This Bold New Plan has a built-in defence mechanism against reduction. After all, the railways have become everywhere the public sector's responsibility, and it is only proper that pride of place should be given to their well-being, rather than to new ventures in which success is less assured, for which there are other instruments, and which are less essential to the success of total planning. It is a good object-lesson on the virtues of sticking to one's last—which the public sector ought to learn and bear in mind always.

LEO.

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NOTICE

Is hereby given that the Annual General Meeting of the Company will be held on Thursday, the 27th October, 1955, at 11-30 A.M. at the Registered Office of the Company at Dalmianagar to receive and adopt the Directors' Report and the Audited Accounts for the year ended 31st March, 1955, to declare dividend at the rate of Re. 1|- per Share free of Income-tax, i.e., 10% p.a., to elect Directors and to appoint Auditors and fix their remuneration.

The Share Transfer Books of the Company will be closed from Tuesday, the 11th October, 1955, to Tuesday, the 16th October, 1955, both days inclusive.

Dividend if declared will be made payable to the shareholders as on 11th October, 1955.

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THE HINDUSTAN TIMES,
NEW DELHI.

WORLDGRAM

AGRICULTURE

Agricultural Farms in Kashmir: Over 15,000 acres of land have been reclaimed, 27 nurseries laid out, and eight new agricultural farms started in various parts of the State under the Community Projects and National Extension Service schemes. Nearly 580 acres of additional land have been brought under fruit cultivation and 51,366 fruit plants have been distributed. In addition to this 2,58,036 existing fruit trees have been sprayed with insecticide. Nearly 16,600 compost pits have been dug and 24,576 mds. of improved seed have been distributed among the peasants in the National Extension Service and Community Project blocks. Over 5,23,000 trees have also been planted.

*

Jute Production Target in Second Plan: The programme of jute production for the second Five-Year Plan envisages a target of five million bales. This was disclosed by Mr. K. R. Damle, Additional Secretary, Union Ministry of Food and Agriculture, in the course of his presidential address to the 37th annual meeting of the Indian Central Jute Committee. To obviate growers' difficulties in obtaining credit facilities, producers' co-operatives were being encouraged under the second Five-Year Plan and assisted by the Reserve Bank of India with liberal loans. The Government of India was also prepared to grant short-term loans for the purchase of fertilizers to all farmers, who were willing to accept the advice of technical experts in the use of fertilizers. The Government of India was also encouraging the establishment of regulated markets, which would reduce the scope of malpractices in the marketing of primary produce and protect producers from the payment of illegal and unnecessary imposts. Most of the States were taking steps to pass necessary legislation in this regard.

INDUSTRY

Expansion of Steel Production: The anticipated production of iron and steel after the completion of the approved expansion programmes of the existing steel units and the establishment of the new Government steel plants will be as below:

	Saleable Steel Tons per year
(1) Tata Iron and Steel Company Ltd.	1,500,000
(2) Indian Iron and Steel Company Ltd.	800,000
(3) Mysore Iron and Steel Works	100,000
(4) Rourkela Steel Plant	720,000
(5) Bhilai Steel Plant	750,000
(6) British Steel Plant	750,000

*

Protection Granted to Diesel Fuel Injection Equipment Industry: Government have accepted the Tariff Commission's main recommendation that protection to the industry should be granted up to December 31, 1956, in the first instance, by levying a duty of 60 per cent ad valorem on (1) single cylinder fuel injection pumps for stationary diesel engines and component parts thereof excluding elements and delivery valves when imported separately, and (2) Nozzleholders with clamping capacity up to one inch clamping diameter for nozzles (atomisers) for use on stationary as well as automobile diesel engines, and component parts thereof excluding nozzles. The protective duty recommended by the Tariff Commission is being brought into force with immediate effect.

*

Protection to Electric Motor Industry: Government have accepted the Tariff Commission's recommendation that protection to the Industry should be continued for a further period of three years i.e. up to December 31, 1956, and protective duty at the rate of 15 per cent 'ad valorem' should be levied on imports of squirrel cage induction motors, of brake horse power not exceeding 100 but not less than one quarter of one brake horse power, and slip ring motors of brake-horse-power not exceeding 100 but not less than one brake-horse-power. Flame proof motors and variable speed commutator motors will, however, be excluded from the operation of the protective duty. Government have also accepted the Commission's recommendation that, during the period of protection, protective duty at the rate of 20 per cent 'ad valorem' should be levied on component parts of electric motors specified above, excluding control gear. These protective duties are being brought into force with immediate effect.

*

Expansion of Hindustan Shipyard: Giving details of the progress of the development plan of the Hindustan Shipyard at Vishakhapatnam, the Minister for Production Sri K. C. Reddy stated in the Rajya Sabha that a 125-ton crane had been installed and two large and one small berths had been constructed. A 35-ton crane had been erected and the track of the crane had been extended. Extension of the Machine Shop and the Blacksmith Shop had been completed and a timber storage shed had been constructed. The work on the construction of the prefabrication shop and the replacement of the mono-tower cranes by 45-ton travelling cranes between berths I and II had begun. The entire programme is expected to be completed by the end of 1956. Government had so far paid to the Shipyard a sum of Rs. 1.1 crores for this purpose.

*

Wagons and Coaches Under Second Plan: The Indian Railways will require 146,000 goods wagons and 11,000 passenger coaches during the second Five-Year Plan according to tentative estimates. The Railways would need 7,200 broad-gauge coaches, 3,800 metre-gauge coaches, 114,000 broad-gauge wagons and 32,000 metre-gauge wagons.

TRADE

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

Merchandise:		
Exports	Rs. 39	lakhs
Exports to Eastern Pakistan	„ 29	„
Exports to Western Pakistan	„ 10	„
Exports to other countries ..	Negligible	
Merchandise:		
Re-exports	Nil	
Merchandise:		
Imports	Rs. 162	lakhs
Imports from Eastern Pakistan	„ 155	„
Imports from Western Pakistan	„ 6	„
Imports from other countries	„ 1	„
TOTAL TRADE	Rs. 201	lakhs
Trade in Treasure	Nil	

Balance of Trade: The total value of exports fell short of imports by Rs. 123 lakhs.

Indo-Swedish Trade: The Indo-Swedish trade for the period January-March 1955 amounted to 25.5 million Kr. as against 20.9 million kr. for the same period in 1954. Out of this, imports from India represented 7.5 million kr., as compared to 5.6 million kr. last year and exports from Sweden to India were 18 million kr. as compared to 15.3 million kr. last year. Imports from India have increased by 1.9 million kr. from one period to the next, while exports from India also increased by 2.7 million kr. In March 1955, imports from India reached 3.4 million kr. against 2.3 million kr. in February 1955 and exports from Sweden reached 7.5 million kr., as against 5.3 million kr. in February 1955.

*

Trade Between India and Iran: India's trade is gradually dwindling, particularly with the present setback in the tea and textile markets. These two articles are the main items now imported from India. Jute goods are slowly going into the hand of Pakistan. From the statements of imports and exports it will be observed that the United States of America, Germany, Japan, and United Kingdom are still the leading exporters their exports forming the following per centages, India's share in the imports of Iran is 5.9 per cent.

Imports into Iran

Country	Percentage Share
United States of America	27.8
West Germany	14.3
Japan	8.5
United Kingdom	7.2
USSR	6.03
India	5.9

Japan is the foremost country in importing goods from Iran, Pakistan has suddenly become the second best importer of Iranian goods. United Kingdom, USA and Germany are also taking substantial shares of Iranian exports. India's share is again insignificant.

*

Indo-East Pakistan Trade: In her trade with India, East Pakistan earned a balance of over Rs. 143 lakhs in January 1955, total exports and imports being valued at Rs. 174.29 lakhs and Rs. 31.63 lakhs, respectively. But of the total export earnings, raw jute alone accounted for Rs. 94.82 lakhs. Pakistan's export on private account increased substantially in December 1954 and totalled Rs. (P) 117.1 million. This figure was the highest for the nine months and excluded those of December 1953. The total imports being valued at Rs. (P) 78.3 million, the favourable balance on private trade reached Rs. (P) 38.8 million an increase of more than 70 per cent over the preceding monthly balance.

*

Foreign Trade Convention: The National Foreign Trade convention, long regarded as a most authoritative platform for expression of the views of U.S. importers and exporters, will be devoted this year to discussing to the stimulus of private enterprise in expanding world trade and investment. The convention is scheduled for November 14-16. As in the past, several thousand key figures of the business world are expected to attend. Theme of the meeting will be, "the capacities and incentives of private enterprise to stimulate expansion and investment."

FINANCE

Raising Discount Rates: The Federal Banking Board gave permission to six regional Reserve Banks to raise their discount rate from 2 per cent to 2½ per cent. The discount rate like the British bank rate governs the interest at which money can be borrowed. It is now at its highest for 20 years having been increased twice in recent weeks. It was 1¾ per cent about a month ago. The new increase is in step with general apprehension among treasury and federal reserve leaders that the record-breaking economic expansion of the past eight months may take on inflationary characteristics with rapidly-increasing income resulting in buying power outplacing production. The Reserve Banks, where the new rate applies, are in the cities of New York, Chicago, Kansas City, Richmond Dallas and San Francisco. Only the banks at Boston and Minneapolis retain the 2 per cent rate.

*

Inter-State Sales Tax: The recommendations of the Taxation Enquiry Commission regarding inter-state sales tax are still under consideration and most of the States have intimated their willingness to accept the interim recommendation of the Commission for suspending the collection of Sales Tax on inter-State transactions and replies are awaited from others.

*

Central Subsidy for Soil Conservation Schemes: The Union Goverment have sanctioned subsidies amounting to Rs. 5.48 lakhs and a loan of Rs. 2.85 lakhs in order to assist soil conservation schemes in three States. A subsidy of Rs. 4,61,000 has been granted to West Bengal for the Keleghai Soil Conservation Project during 1955-56 on the understanding that the rest of the scheme will be treated as an ordinary development scheme. Madras has been granted a subsidy of Rs. 50,750 for a scheme of Soil Conservation in the district of North Arcot. A loan of Rs. 2,85,495 has also been approved for the project. A subsidy of Rs. 36,000 has been granted to Ajmer for the scheme of Soil Conservation Pilot Demonstration Project for the current financial year.

*

Central Aid for Uttar Pradesh GMF Schemes: The Union Government have sanctioned payment of a loan of Rs. 13.08 lakhs to the Uttar Pradesh Government for the Grow More Food scheme of the State. Out of the loan, Rs. 2.5 lakhs are earmarked for the Dhanapur Distributory Canal, Rs. 2.5 lakhs for the Haldi Tarai Canal, Rs. 2.8 lakhs for the Moja Canal and Rs. 4 lakhs for the Bakhera pumped Canal (Basti). The loan has been given on the understanding that the entire amount will be utilised during the current financial year.

*

Central Aid for Development of Handicrafts: The Government of India have sanctioned further grants and loans amounting to over Rs. 8 lakhs for the development of handicrafts. A major portion of this amount is given to the All-India Handicrafts Board for organising two exhibitions at Moscow and Stockholm and for participating in the Indian Industries Fair in Delhi.

MISCELLANEOUS

British-Dutch World Oil Output: British and associated Dutch oil companies in 1954 produced a record total of 111,430,000 metric tons of oil (including natural gasoline). This was an increase of about 7½ per cent on the previous highest total for any year—that for 1953. Last year's output came from many countries, the chief contribution being made by the Middle East. Kuwait supplied 23,860,000 tons and Iraq 15,820,000 tons of oil out of a total of 44,370,000 tons produced by British and Dutch interests in this area. Next most important source of supply was Latin America and the Caribbean, with 38,410,000 tons, of which Venezuela supplied 31,380,000 tons. Trinidad was the second-biggest supplier in this area, with 3,210,000 tons. In the Far East, Indonesia contributed 5,440,000 tons to British and Dutch output; a further 4,910,000 tons came from British Borneo. Finally, the U.S.A. provided another 16,430,000 tons of total British and Dutch output.

NEWS IN BRIEF

INDIAN

The Board of Directors of the Sindri Fertilizers and Chemicals Limited have approved a scheme to enlarge facilities in the training section of the factory to train a large number of technicians required to meet the demand of expanding Sindri as well as those of the proposed fertiliser factories.

*

The Government of India appointed a Committee to work out the details of the scheme for the establishment of a National Construction Corporoation. The Committee has been constituted in pursuance of the recommendations of the third Engineer's Seminar held at Srinagar in July this year.

*

The value of the aid India received from Canada in the shape of materials and equipment during 1954 under the Colombo Plan was Rs. 1.5 crores. These consisted of equipment for the Mayarakshi Project in West Bengal, (Rs. 11 lakhs), copper and aluminium for the wire and cable industry (Rs. 56 lakhs) and fifty locomotive boilers for the Indian railways (Rs. 83 lakhs).

*

The Central Government has decided to validate the licenses granted for the import of diesel engines of road vehicular type for the period, January to June, 1955 and July to December, 1955, from the soft currency areas for the import of these engines from the dollar areas also.

*

Export of cottonseed oil will continue to be licensed freely to all permissible destinations up to the end of December, 1955.

*

A sum of Rs. 72.11 lakhs was allotted by the Centre to the various States for the removal of untouchability during 1955-56.

*

A sum of Rs. 32,39,751 has been sanctioned so far for Bihar as a grant to relieve educated unemployment in that State.

*

Seventy-nine companies have actually availed of the loans, sanctioned by the Industrial Finance Corporation up to the end of March, 1955.

*

The production of coal in the first six months of this year totalled 19.18 million tons, while the export during the same period was 0.83 million tons valued at Rs. 2.48 crores.

*

The Union Health Minister, Rajkumari Amrit Kaur said in the Rajya Sabha that the funds allocated by the UNICEF to India for the various health development programmes in the country during the years 1954 and 1955 (uptil July) were $2,681,000 and $847,000 respectively.

A traffic survey for a metre gauge railway lines connecting Cape Commorin with Tinnevelly and Trivandrum is to be carried out by the Southern Railway. The total length is expected to be about 105 miles. The Railway Board has sanctioned a sum of nearly Rs. 54,000 for this.

*

The net realisation from the 'cess' on mill-made fabrics for the development of handloom and khadi industries during the year 1954-55 is Rs. 6,22,10,000. Out of this amount Rs. 49,36,293 have been allocated to Bihar.

*

The outstanding balance of the 2½ per cent Loan 1955, will be repaid on October 1, 1955 and no interest will accrue thereon from that date.

FOREIGN

The Elin-Wagner Foundation (Sweden) has announced the offer of a post-graduate research fellowship of 10,000 Swedish Crown (this sum may be divided into two fellowships) which is open to nationals of all countries.

*

The Government of Transvaal is contemplating a £56 million industrial development programme for northern and eastern parts of the State. Among the projects under consideration are an oil-from-coal plant, two iron and steel works, a wool processing plant, a sulphuric acid plant and a newsprint plant.

*

The total population of persons of Indian origin in Ceylon estates at the end of 1954 was 831,000. Of these, males accounted for 229,290 and females 229,630, the rest being children. The birth rate in the estates was 29.6 per 1,000 and the death rate 11 per 1,000.

*

The United States Department of Commerce is sending a five-man Trade Mission to India in connection with the United States Government and United States industry participating in the Indian Industries Fair at New Delhi.

*

The Duquesne Light Company has opened for preliminary inspection America's first full-scale atomic power plant. The plant, designed to produce enough electricity to light a community of 400,000 persons, is scheduled for completion in 1957.

*

Government budget, particularly their arrangements, interpretation and presentation, were discussed by treasury officials, economists and statisticians at a United Nations Workshop meeting held in Bangkok from August 30 to September 10.

*

The Canadian Government has adopted a new plan for bringing Alberta's natural gas to market. It involves Government finance to build a 30-inch pipeline across the wild and difficult country of northern Ontario, the "bridge" between the east and west which bedevils all Canada's national routes of communication.

*

On August 26, Korea became a member of the International Monetary Fund and the International Bank for Reconstruction and Development. The quota of Korea in the Fund is $12,500,000 and its subscription to the capital stock of the Bank is 125 shares with a total par value of $12,500,000.

*

Some of the biggest yields of grain ever known on British farms are now on their way to the granaries. Wheat yields exceeding 60 cwts per acre have been reported from Rochester (kmt), Chelmsford (Essex), and just below three tons to the acre from the Cotswolds.

*

The Krupp industries are expanding their operations abroad through a bold, four-point programme. A steel mill in India with a one million ton capacity per year; foundries in Spain, Greece and Pakistan; port and harbour developments in Iraq, Chile and Siam, vegetable oil factories in Iran, Pakistan and the Sudan.

*

A Swiss manufacturer has successfully built a powerful new projector which can show motion pictures on clouds at night. The pictures are reported to be perfectly clear.

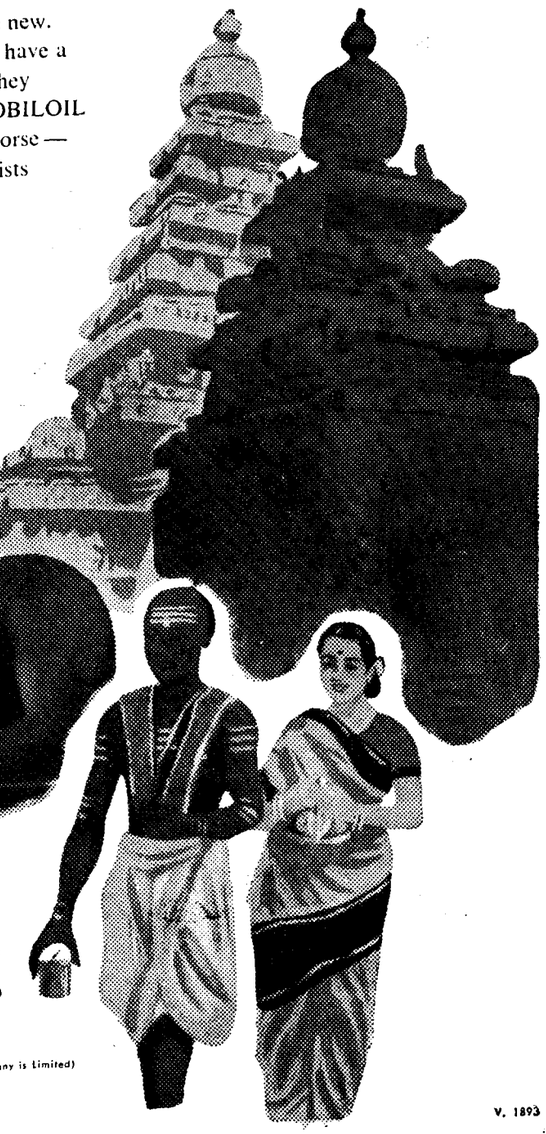
*

American Red Cross has given additional $40,000 for Indian flood relief. This brings the total amount for Indian relief to $50,000, as $10,000 was allocated previously for this purpose.

Madras

SOUTH INDIA, the cradle of ancient Dravidian culture, is rich in monuments of the past. Chief among them is the beautiful seaside temple at Mahabalipuram, near Madras City, admired by visitors from all over the world.

In Madras the old mingles harmoniously with the new. Motorists are proud of their ancient heritage, but have a lively respect for modern progress. That's why they appreciate the virtues of Double-Protection MOBILOIL and make it a point to look for the Flying Red Horse — honouring a tradition among progressive motorists throughout the world.



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Mobiloil

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Special Articles

INVESTMENT PRIORITIES AND PLANNING

By

DAYA

PLANNING, in the context of underdeveloped countries, is essentially induced* investment for purposes of economic development. The term "economic development", however, is extremely ambiguous. It is generally taken to mean, in real terms, an increase in the production of goods and services and not an increase in money-values only. The type of the goods and services increased are usually considered to be irrelevant to questions concerning economic development. It is, perhaps, only the welfare economists who regard the questions regarding the types of goods and services produced and the range of their distribution as crucial to any significant answer concerning economic development. In underdeveloped economies, however, the problem of distribution is generally of relatively less importance than that of production.

The "induced" nature of investment raises actually the question of its direction and its relation to public welfare. In the natural course of economic development which occurred immanently in some Western countries, there was an organic relation between different sectors of the economy, for each developed in response to a need that already existed therein. There certainly was entrepreneurial innovation, but it had imaginatively to anticipate the potential needs inherent in the situation, at the risk of great loss if the anticipation proved incorrect. In fact, the series of technical innovations that streamed in the late eighteenth and the early nineteenth centuries created their own momentum of development and gave rise to the related demand for an increase in the production of steel, coal and other basic industries.

The basic character of the industrialisation of a backward economy, on the other hand, is not innovation or creation but imitation. It thus comes naturally to be thought that in order to have economic development an underdeveloped country should begin at the other end and start developing basic industries so that it may raise its standard of living. This tendency is further reinforced by the fact that the development is generally undertaken under State auspices with whom considerations of power and prestige weigh more heavily than questions of public welfare. The economists who advise these governments strengthen this tendency still further, for by their very training they are inclined to advocate investment in heavy capital-goods industries for a rapid rate of the economic development of any country. The recommendations for tightening the belts or sacrificing the present for the sake of future comes so easily to the statesman and the economist as each is sure that it is not he who will have to make the sacrifice.

The self-evident assumption that a priority-investment in heavy capital goods industries is a conditio-sine-qua-non of the welfare-development of a country needs, however, to be questioned. There certainly are countries which enjoy a high rate of economic welfare with a great development of heavy capital goods industries, but equally there are countries, like the Scandinavian ones, which have the former without any very great share of the latter. In fact, if coal, steel, oil and heavy chemicals were the necessary condition of the economic welfare of every people, then most of the countries are doomed to poverty, for they do not have any such resources within their realms. On the other hand, there is equally the example of a country where there has been a tremendous increase in the production of heavy capital goods industries with little increase in the economic welfare of the people. We, of course, mean the Soviet Union. There seems, thus, little justification for the almost a priori assumption that is involved in the thinking of most planners in this country and elsewhere.

In fact, the experience of the Soviet Union should have been a warning that an increased priority-investment in the so-called basic industries does not necessarily lead to increased consumer welfare. Rather, it is more likely to set up tendencies in the system which may work in a contrary direction. The above presupposition of developmental planning, it is well known, was shared by the Soviet planners. The result in terms of consumer welfare after more than three decades of Soviet rule is equally well-known.

The controversy about the heavy capital-goods industries in the second Five-Year Plan assumes, thus, a deeper significance. The unanimous recommendation for an increasing emphasis on this sector is almost a logical result of the presuppositions which the statesmen and the economists share. The Draft-Frame suggested that we could have best of both the worlds—heavy industries and consumer welfare—and escape the usual dilemma that has faced the countries which have embarked on economic development. The "best of both worlds", however, has not lasted long. The investment proposed, it is already said, cannot give us the required basic industries and transport on the one hand and the other consumer-welfare goods and services on the other. Already there are voices demanding the sacrifice of housing, health and education in order that the investment in heavy industries may be sustained. The sacrifices, if any, are, after all, temporary. And aren't we promised a more rapid rate of consumer-welfare in the future? The appeal to patriotic sentiment has also not been lacking. An eminent member of the Panel of Economists writing in the Independence-day Supplement of "The Hindustan Times" gives as one of the reasons for such an investment, "considerations of national security, chiefly connected with the anti-Indian attitude of Pakistan that has been further strengthened by the network of military alliances into which that country has recently entered". An economist with different political sympathies might have pointed to the Russo-Chinese military agreement and the Chinese aggression in Tibet and, thus, aroused our fears and silenced our minds about the supposed necessity of the investment in these directions. The Prime Minister himself in his address to the A.-I.C.C. has suggested that a dependence on foreign imports of heavy machinery results, at least, in a certain political pressure from those countries.

The arguments have a familiar ring. The sacrifice of consumer-welfare has always been justified by an appeal to its temporary character, on the one hand, and to reasons of national security, on the other. However sincerely made, both the arguments are fallacious in

*["Induced investment" is used here in the sense of "planned investment"—as distinct from automatic investment.]

character. The sacrifice is never temporary, for the amount of steel, coal, oil and the so-called other basic things required goes on always increasing. As for defence and national security, till there are other nations in the world more powerful than yourself, the argument can always be given. Russia, for example, generally enjoyed a higher production of steel, coal, oil and other things with a population somewhat more than one-third of India before the first world war and, yet that was not a sufficient reason for trying to increase consumer-goods industries in their country. After more than 38 years of the existence of a government ostensively brought into being for the purpose of ensuring consumer-welfare, the need for sacrificing it for the development of heavy industries has not yet ceased. The essential fallacy in the "temporary-sacrifice argument" lies in assuming the target-needs to be static rather than dynamic. A target of 6 million tons of steel for India, even if achieved after a great amount of sacrifice, will not ensure that the same amount of sacrifice would not be required again for a still more ambitious target.

The defence-arguments are equally specious. They acquire their plausibility from what may be called "the ego-centric predicament". Otherwise, how can an intelligent man fail to see that the same argument which justifies India's emphasis on basic industries would justify Pakistan's case still more? Pakistan, after all, has no basic industries in comparison to India and, thus, should be justified far more in putting an unbearable strain on her people and try to develop whatever little it can. If, in view of the U.S.-Pak pact, the U.S. resources are also counted on Pakistan's side, as the writer in "The Hindustan Times" wishes us to do, then the question arises as to the meaningful sense in which our targets can make any difference to the other side's resources. The same would apply with a slight difference to the writer who would have pointed to the Russo-Chinese rather than the U.S.-Pak danger.

The Prime Minister would have had some justification for his argument if there was only a single country or group of countries from which we could have derived our resources. But this obviously is not the case in the world of today. Even if we were confined to the so-called capitalistic world for our resources, it would not have mattered much, for, by its very definition, there is always a competition among capitalistic countries for any buyer who appears in the market. How can, then, it be true in regard to a country which is on friendly and trading terms with almost all the countries of the modern world? The slogan of economic self-sufficiency comes naturally to the statesman and the economist, but how is it compatible with actively peaceful relations among the nations of the world is, perhaps, more than what they can tell.

The contention for investment-priority in basic industries at the cost of consumer-welfare is, thus, generally misleading. If we want welfare, we should start with it and not start with sacrificing it in the present for the sake of some possible gain in some Pickwiekian future. This does not mean that we should not develop basic industries at all, but merely that whenever there is a proposal to sacrifice the welfare of the people in the present (i.e. for at least 5 years) for the sake of developing heavy capital-goods industries and, thus, achieving welfare sometime in the future, it should be scrutinised with the greatest attention and accepted only if an absolute case can be made for it. It should always be remembered that the investment in heavy industries is directly correlated with the suffering and sacrifice of the people in an underdeveloped economy and that even a slight rise in the targets in basic industries involves a more than proportionate increase in the latter. A few million tons of steel more, for example, may not make a substantial difference to the economy of a country but can certainly entail untold hardships on the people.

A democracy will certainly impose certain limits beyond which such sacrifices cannot be imposed. On the other hand, the insistence on achieving certain targets even at the cost of consumer-welfare might produce such strains in the economy that a pressure might be generated for giving up the democratic structure itself. Such a danger assumes a larger probability in an underdeveloped country where the traditions of political democracy are not generally very strong. It is imperative, therefore, that planning of targets and investment-priorities in an underdeveloped country be done in a way that it strengthens, rather than weakens, the democratic values to which it is committed.

RATE OF RISE IN COAL WAGES*

DURING the brief period since the end of the last war, labour in the Indian coal industry has made impressive gains in wages as well as material benefits which have combined to raise its standard of living in every direction. Post-war welfare legislation has paid particular attention to the long-standing requirements of coal labour in the nature of normal amenities. It can now be claimed with full justification that ample amends have been made for the past neglect in mitigating the hazards and hardships in one of the most unattractive, but also one of the most strategic, industries in the economy of the country.

It is instructive to analyse the trends in the recent progress of rates of wages for workers in coal mines. The conclusion can hardly escape a brief scrutiny that in the post-war period the rate of rise in the wages of coal labour has been among the highest in all the industries in the country. This is not to imply that in quantitative measure the level of wages in this industry ranks on a par with the levels obtaining in many of the high-wage industries. But in relative assessment, the growth in coal mines wages has undoubtedly been high and it bears comparison with what is regarded as a rapid rate of increases elsewhere.

In Table A in this article the average daily earnings of an underground miner in Jharia coalfields have been selected to form a broad estimate of the extent of increase since the end of the war. The earnings in Jharia bear a close correspondence to the earnings in Raniganj. Since these two coalfield areas account between them for 80 per cent of the total coal output of the country, the rates prevailing in Jharia can safely be accepted as typically representative of wages in the bulk of the coal industry. The year 1946 has been selected as the base year for comparison inasmuch as it was the year in which the Young Plan for food grain and cash concessions was revised upwards and a higher total rate of earnings was introduced. The main ingredients in the current earnings for a piece-rated miner in Jharia are a basic wage of As. 12 per day, dearness allowance equivalent to 150 per cent of the basic wage plus food and cash concessions valued at As. 10 per day. The introduction of higher emoluments in cash and kind in 1946 makes the level of aggregate earnings in the base year high and in effect it reduces the magnitude of increase in the rate of earnings in the subsequent years by a substantial margin. If 1945 is selected as the starting point of comparison, the final result would be that the earnings in 1953 would register an increase of 151 per cent above the rate of Re. 1-2-3 per day which was the effective rate in that year. The choice of 1946 as the base year errs on the side of moderation.

*This study omitted from our Coal Supplement of August 26 for reasons of space, is now published.

TABLE A

Average Daily Earnings of Underground Miners in Jharia

	Rs.	As.	Ps.
1946	1	8	3
1947	2	5	0
1948	2	8	3
1949	2	5	9
1950	2	6	9
1951	2	2	6
1952	2	5	5
1953	2	14	0
Percentage increase in 1953 over 1946 ..	=89.7		

Eight different industries, covering a wide range of products, have been selected in Table B below to indicate comparative trends in the rates of rise in workers' earnings. The selection of these industries proceeds mainly on the basis of their importance in the economy and the volume of their employment. Some clarification is necessary about the nature of the compilation of this table. The Census of Indian Manufactures for 1947, is taken as the base year. As the first post-partition year, 1948 commends itself as a preferable base. But availability of data in 1947 and the prevalence of lower rates of earnings in this year (which give steeper rates of increases in 1952) argue in favour of a liberal comparison. Total earnings in this table include wages of workers plus money value of other benefits and privileges. (A small portion of the money value of the benefits would pertain to clerical staff also but that would not significantly alter the picture).

The absence of an identical year as the base year and the fact that data for coal wages have been brought up-to-date to one year ahead need not be taken as factors detracting from the essential comparability of trends disclosed in the two tables. It is obvious that, among the major industries comprising Table B, cement alone shows a rate of increase in earnings which exceeds the rate actually registered in the coal industry, but the excess is only 4 per cent. Iron and steel as also paper and paper board come very close to the coal industry in respect of the rate of rise. All the remaining five industries show much lower rates of increase in earnings during the comparable period, the margins of shortfall varying between 60 per cent and 37 per cent.

The coal miner, who has to work underground in conditions that are undoubtedly incomparable with the environment attending most other industries, cannot be grudged provision of better amenities and higher emoluments. But the theory of inadequate payment for coal labour is certainly not borne out. In addition to the basic wage, dearness allowance and concessions in food and cash payment, the worker in the colliery enjoys substantial benefits of provident fund, the welfare cess, pithead baths, medical and school facilities, payment of railway fare on journeys home during leave, and so forth. Not all of these benefits have entered into the calculation of total earnings shown in Table A. In the result, the rate of increase in earnings of the order of 89.7 per cent between 1946 and 1953 gives a modest estimate of the tempo of increase and keeps clear of any inflated estimates.

TABLE B

Average Annual Earnings Per Worker in Selected Industries

(Rs. in thousands)

Industry	1947	1948	1949	1950	1951	1952	Percent Increase in 1952 over 1947
1. Sugar	482	586	552	536	681	625	29.7
2. Cement	598	672	792	990	1,025	1,159	93.8
3. Paper and Paper Board	626	805	862	956	1,113	1,153	84.2
4. Cotton Textiles	912	1,107	1,187	1,124	1,239	1,297	42.2
5. Jute Textiles	659	730	817	792	839	944	43.2
6. Chemicals	738	803	897	993	1,087	1,129	53.0
7. Iron and Steel	1,072	1,284	1,382	1,578	1,884	1,995	86.1
8. General and Electrical Engineering	745	844	940	986	1,051	1,084	45.5

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Economic Report from the U. S.

COMBATING INFLATION

(By Guy Sims Fitch)

WASHINGTON, Sept. 20.—Economic progress has brought with it measures by many free nations to keep inflationary forces under control. As they have moved from recovery to prosperity, they have moved also from direct controls over prices, wages, and production to more orthodox types of indirect monetary and fiscal restraint. Particularly striking is the uniformity of curbs being placed on credit expansion. Since the beginning of 1955, for instance, the United States and 10 other countries have raised their bank discount rates—the charge by a Central Bank on loans to private banks. This is designed to make credit less readily available—thereby breaking the economic boom without disrupting its generally upward movement.

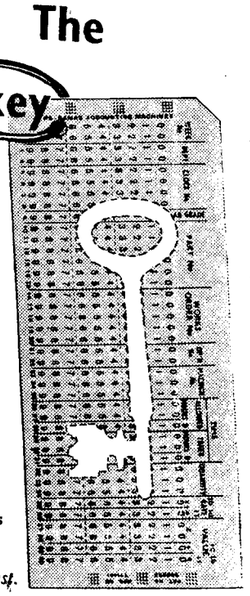
The severity of inflationary pressures varies with each country, of course. In most, such as the United States, Canada and Belgium, inflation is not imminent. In others, such as the United Kingdom and Sweden, its threat is more serious. But all have expressed confidence that domestic economies can be kept sound. This is a far cry from the problems envisaged by many of the thinkers who in 1944 helped draw up plans for those twin United Nations instruments of international finance—the International Bank for Reconstruction and Development and the International Monetary Fund. Emerging from the experiences of the 1930's, their emphasis was largely on counteracting unemployment and deflation. But today, the world is moving rapidly towards full employment and economic expansion.

In most nations that maintain basically free economies one sees similar conditions of rising production and consumption, higher wages, increased demand for labour and materials, and a tendency toward rising prices. In many, the increased productivity—output per worker—that comes with more efficient production methods has not offset completely the resultant inflationary influences. The recent meeting of the Bank and the Fund at Istanbul, Turkey, took cognizance of these new trends. There was less talk of economic recovery, more of measures to keep financial houses in order. Less was heard, too, of the convertibility of currencies in World market places, although this remains a primary aim of both U.N. bodies. As Fund Director Ivar Rooth, pointed out, the continuing rise in international trade—which increased by another 4.5 per cent last year—has brought "practical recognition to the de facto convertibility" of some currencies which are still technically non-convertible. Some countries, with the United Kingdom a leading example, want to make sure that inflationary pressures at home are under control before entering into formal convertibility arrangements.

World trade, as reported at Istanbul, has increased 50 per cent above the rates prevailing shortly after World War II. One result has been the strengthening of World currency reserves. Aggregate holdings of gold and dollar exchanges by non-dollar countries rose another $2,200 million in 1954. Despite recent setbacks in some countries, the experts believe that this trend will continue. The days when U.S. dollar aid dominated the World economic picture seem to have ended. But the United States still remains an important economic bulwark. So great is the U.S. demand for goods, that its imports this year have been running well ahead of last year's rates. So great is the U.S. capacity to produce, that it has been filling its own record demand while exporting such products as coal and steel needed in other countries. Thus American productive capacity is being counted on in many quarters to help overcome shortages and check inflationary forces at home and abroad.

Cautions were voiced at Istanbul against wide-scale reinstitution of trade and exchange restrictions as a means of combatting inflation and improving trade balances. One reason for the broad increase in World commerce in recent years has been the progressive relaxation of these controls. Their return, many economists observe could prove a serious deterrent to further economic expansion around the World. Paul G. Hoffman, former Administrator of U.S. Marshal Plan Aid, has drawn a promising picture of even greater economic progress in the decade to come. Speaking in Rome this week of the situation in Western Europe, but in words equally applicable to other parts of the World, Hoffman described four conditions that must accompany such progress; more and freer trade, greater increases in productivity, maintenance of free societies, and a continuing unity of purpose among the free nations.

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The Business World

SECOND THOUGHTS ON SHIPPING TARGETS?

By

CROESUS

AFTER the recent severe criticisms about the inadequacy of the provision for transport in the Five-Year Plan, it looks as though the pendulum has since swung to the other side. Both transport interests and the public are now insisting that more allocation should be made to the expansion of transport facilities under the second and the subsequent Five-Year Plans. This demand is not confined to any one mode of transport, roads, railways or shipping. Presently, the spotlight seems to have been focussed on the target for shipping in the second Five-Year Plan. Somehow or other, the fixing of a target for shipping would appear to be a fairly old and favourite pastime with us, so that we have today a confusing number of shipping targets confronting us. Thus, the Post-war Reconstruction Policy Sub-committee on Shipping, which reported in January 1947, recommended a target of 2 million tons gross on the basis that Indian ships should carry 100 per cent of coastal trade, 75 per cent of adjacent trade and 50 per cent of distant trade. In an article recently contributed to the daily Press, Mr. S. N. Haji refers to his publication "Place of India in World Trade and Shipping," published even earlier, that is in February, 1946, under the auspices of the All-India Manufacturers' Organisation, wherein he had anticipated this target. By and large, the two million ton target for Indian shipping, it seems, has held the field. As the erstwhile Director-General of Shipping, Mr. B. R. Patel, has observed in an article on "Our Shipping Should March Forward", in the latest issue of "Transport", "despite the lapse of almost a decade, the estimates of the Sub-Committee (Reconstruction Policy Sub-Committee on Shipping) are still valid. In fact, in the context of a developing economy and Five-Year Plans, the target of two million tons is, if anything, somewhat conservative". Mr. Patel has substantiated this remark of his by a reference to a statement of India's trade estimates published in the July issue of "Indian Shipping" (vide page 12). Taking only the position of Indian shipping in distant trades, as disclosed in this statement, he computes that India should legitimately carry half atleast of the country's dry cargo trade, that is, 6.6 million tons (total 16.7 million tons—oil and oil products 3.5 million tons=13.2 million tons,÷2) as against which Indian shipping actually carried, on the basis of the average figures for the years 1951, 1952 and 1953, only 835,000 tons. Accordingly, he maintained, there was a case for an eight-fold expansion in the overseas tonnage of India. that is, an increase from the present 2 lakh tons to 16 lakh tons. This latter figure, together with the tonnage required for the coastal and the adjacent trades, as also for tankers, would easily make up more than two million tons. His exhortation, therefore, was "we can and must go ahead; the deadline is nowhere near us yet".

In the draft recommendation for the formulation of the second Five-Year Plan 1956-61 by Prof. Mahalanobis, it is proposed to increase the actual tonnage from 5.25 lakh tons in 1953-54 and an estimated 6.1 lakh tons in 1955-56 to 15 lakh tons by the end of 1960-61, or an additional tonnage of about 9 lakh tons. But the study group of the Consultative Committee of Shipowners has proposed a target of only 10 lakh tons, or an additional tonnage of less than 4 lakh tons, with an outlay of Rs. 80 crores during the second Five-Year Plan period. The target indicated by Mr. Haji, on the other hand, is a via media between these two target figures, being 12 lakh tons at an estimated cost of Rs. 100 crores. In a resolution in the Lok Sabha, on Friday (September 9), urging the Government of India to appoint a commission to suggest ways and means for the development of Indian shipping, Mr. Raghunath Singh also pleaded for an allotment of Rs. 100 crores for the purpose of expanding Indian shipping in the second Five-Year Plan.

Thus, while the targets of expansion range between a minimum of 10 lakh tons and a maximum of 15 lakh tons, doubts have been raised in certain circles whether these targets are at all realistic. Mr. J. F. Kotewal for instance (in an article in the July 1955 issue of the "Indian Shipping"), says that "we should cease to base our tonnage acquisition plans on the Policy Sub-Committee's estimates and calculations of 1945-47 which have become out of date" and suggests the appointment by the Government of India of another Policy Committee "to consider whether the recommendations and estimates of the 1945-47 Committee hold good for today and tomorrow or call for revision". He is not, however, averse either to shipping expansion or to State subsidies to shipping. Indeed, he thinks it advisable to make ample subsidies in our next Plan, but, at the same time, he wants a further and fresh examination by a new Policy Committee before embarking on any definite tonnage expansion on a large scale.

It is presumably this difference of opinion not only on the practicability of the extent of expansion of Indian shipping desired, but also on the precise extent of expansion that there are reports in informed shipping quarters that the authorities are now serious thinking in terms of reducing the outlay on the expansion of shipping in the next Five-Year Plan from Rs. 80 crores to Rs. 50 crores, which would mean a reduction in the provision for additional tonnage from 4½ lakh tons to about 2¾ lakh tons. This means, if the reports are correct, that, since June 1955, the Union Minister for Transport has revised his opinion downwards. Addressing the annual meeting of the Indian National Steamship Owners' Association on June 21, 1955, it may be recalled, Mr. Lal Bahadur Shastri referred to the tonnage expansion target envisaged in the second Five-Year Plan, namely, 72 additional ships aggregating 4.45 lakh tons gross at an estimated outlay of Rs. 80 crores, and observed: "personally, I would have liked to have gone beyond this target, as there can be no two opinions about the imperative need for a far more rapid pace of tonnage expansion, specially in the overseas trade". If, however, he could not translate this wish of his into action, it was, he then said, "because of the paramount consideration that "planning must take into account the financial resources and the time factor necessary for consolidation of new routes". These reports of a possible reduction in the outlay for expansion of shipping in the second Five-Year Plan have naturally brought about a degree of gloom in shipping circles, and I reliably understand that representations are being made to the powers-that-be to take a more realistic view of the needs of the situation and, as Mr. Patel urged, to go ahead. To repeat his words, "we can and must go ahead".

EXCISE ON SOAP: FOR WHOSE BENEFIT?

By

CROESUS

TRULY the excise duty, especially in India, has been pressed into service in a way which even the ingenious originator of it—be he a Dutchman or an Englishman—probably never dreamed. Although the first excise duty in India was levied over two centuries ago after Britain is believed to have imposed such a duty, it would appear that this country has since eclipsed even Britain in finding novel applications for the levy. First, the duty was mainly conceived, apart, of course, as a very good source of revenue, as a device to protect the organised sector of the indigenous industries against foreign competition. In 1943, when tobacco was taxed for the first time by the Government of India, it represented an important departure in the Central excise system of this country. The bringing back of mill-made cloth into the excise tariff in 1944 and, more particularly, the imposition of an excise duty on soap ten years later constituted another landmark in the history of the impost, in that the special purpose in these cases was understood to be the encouragement of the household and cottage industries vis-a-vis the organised sector of the indigenous industry, and not as a measure of protection of the Indian industry against foreign competition. On the same analogy, had it been possible and if it did not involve such issues of nicety as discrimination against foreign interests—and also considering the clamour of the indigenous organised sector of the soap industry against the alleged uneven competition of the foreign organised sector in India—the Union Government would probably have thought of an additional excise duty on the foreign organised sector! Really there is no knowing what fresh manifestations this duty might take in the years to come, what with the Taxation Enquiry Commission declaring solemnly that "there would appear to be scope for further utilisation of excise duties in order to maintain revenue from commodity taxation".

One can appreciate the Government's need to depend on excise duties as a substantial source of revenue when, between 1920-21 and 1953-54, the gross revenue from Central excise has risen from Rs. 2.85 crores or 4.7 per cent of the total tax revenue to Rs. 92.34 crores or 22 per cent of such revenue. One can also understand the desire of the powers-that-be to exploit such a splendid revenue-producer to the fullest extent to find funds for financing expenditure on the Five-Year Plans. But what one fails to understand, or is unable to appreciate, is the apparent refusal of the Government—unless it be that it is deliberately conniving at it—to see that so much of legitimate excise revenue is literally slipping out of its hands before its very eyes. To Mr. J. R. D. Tata, Chairman of the Tata Oil Mills Co., Ltd. must go the credit, therefore, for an earnest endeavour to open the eyes of the Government. He has uncovered the studied and systematic defrauding of the Government—that has been going on for some time—by a section of soap producers masquerading themselves in the guise of members of household industries. "I would like," he said, in the course of his address to shareholders at the annual meeting of Tomco, "to draw the attention of Government to the fact that, however laudable this purpose (that of encouragement of the household and cottage soap industry), the manner in which the duty is being applied leads to unforeseen consequences highly detrimental to the organised industry and also facilitates the evasion of taxation and other obligations to the State on the part of producers who have no claim whatsoever to be regarded as members of the household industry. This state of affairs arises from the fact that no excise duty is levied on factories which manufacture soap without the aid of power or steam or whose production is less than 125 tons of laundry soap or 50 tons of toilet soap per annum". Continuing, Mr. Tata explained how, exploiting this situation, a large number of small urban factories has sprung up throughout the country which have embarked upon the manufacture of inferior qualities of soap by what is known as the "cold process" which does away with the use of either electric power or steam. It is said that these units produce incredibly large quantities of soap and that some of them are reported to be making profits large enough even to attract super tax, thanks to the unintended umbrella of protection that shelters them. Not only the inferior quality of the soaps that these make, but also the ridiculously low cost of production of these units, which take care to keep down the number of workers they employ, and thereby escape all obligations under labour laws in regard to wages, provident fund, social security, safety measures, etc; enable them effectively to compete with organised factories using motive power and observing all labour laws. It is a pertinent poser that Mr. Tata raised, therefore, when he asked whether the criterion of "motive power" as a basis of differentiation between the organised industry and the household industry was not defective. Also, as he rightly remarked, "the exploitation of the opening thus provided not only does not help the genuine household industries, for whose benefit it was devised, but places an unfair burden on the organised industry, while, at the same time, depriving the Exchequer of legitimate revenues". It is to be hoped that the representation to Government made by the Indian Soap and Toiletries Makers' Association will lead to a prompt rectification of this admittedly anamalous position. Any remedy devised to achieve the desired effect will not only help swell the country's revenue but also put an end to a state of affairs that Government never intended to create and one too that unscrupulous persons have not been slow to exploit to the detriment of the country's fisc and the household industries and organised industries alike.

TAXATION AND TRANSPORT POLICY

By

CROESUS

"REDUCE vehicles tax and raise revenue" was the rather paradoxical plea which Dr. F. P. Antia, President of the Indian Roads and Transport Development Association Ltd. (IRTDA) made at the annual general meeting of the Bombay branch of the Association last Thursday (September 15). Paradoxical though the plea may sound 'prima facie', it is nevertheless perfectly practicable. Dr. Antia assured the meeting that this was a conclusion based on a careful study of official reports and he used convincing statistical evidence to prove his point, namely, that there is a direct co-relation between the motor vehicles tax and the extension of the road transport industry. In one instance, that is, in the case of the State of Bombay, by taking the rates of taxation prevailing before 1952 and the number of trucks in the State that operated in that year, he first established that there had been an increase of a 1000 vehicles per year up to that year. Thus, the number of vehicles, which was 11,338 in 1948, rose to 13,415 in 1949 and to 15,124 in 1950. After being more or less unchanged at this level—15,002,—in 1951, the figure again rose to 16,034 in 1952. The average for the entire period-1948-52—works out to more than the figure estimated by the IRTDA President. But, after 1952, the trend was reversed and the figure for 1953 was down by 973 vehicles to 15,061. In another instance, Dr. Antia compared the position in two different States, Bombay and Bengal. By reason of the vehicle tax in Bengal being less than that of Bombay, before the Partition, it is this Doctor's thesis that the growth of vehicles in Bengal was higher than in Bombay. This also is borne out by the statistics he adduced. Thus, whereas the number of trucks in Bombay increased from 3,078 in 1939 to only 3,152 in 1947, that is an increase of 19.6 per cent per year, in the case of Bengal, the number of trucks increased from 3,055 to 12,459 over the same period, showing an increase of 38.5 per cent per year, or a rate of increase double that of Bombay. For the result, by 1947, Bengal had more vehicles than Bombay, although it began fewer trucks on the road than Bombay in 1939. Lest someone should level the charge that the sharp rise in trucks in Bengal was possibly the result of the extraordinary circumstances that prevailed during the war, Dr. Antia examined the position since the war also. This examination has shown that the number of lorries in West Bengal went up from 19,295 in 1951 to 25,918 in 1953, showing an annual increase of 17.2 per cent, whereas, over the same period, the number of trucks in Bombay increased from 15,002 to just 15,061, that is a negligible annual increase of 0.2 per cent. That Bengal has made considerable headway compared to Bombay was further brought out by the fact that, even today, after the Partition, Bengal has more lorries than Bombay.

The alarming drop in the rate of annual increase in the number of vehicles in Bombay State from 19.2 per cent to 0.2 per cent, as stated above, ought to provoke anybody to think of the causes making for such a sharp decline.

People like Dr. Antia who have examined the problem feel convinced that this is entirely due to the sharp rise in the incidence of taxes. The rate of increase in the number of lorries according to him is inversely proportional to the tax incidence and, therefore, the remedy that he has offered is that we have to go back to the 1952 rates of vehicle tax, that is a tax of Rs. 520 for a lorry with the maximum leaden weight of 19,000 lbs. (weight permitted in the 'mofussil'), as against the present tax of Rs. 1,280. Dr. Antia did not promise immediate results consequent on going back to the old level, but he maintained that we could secure an average increase of 11 per cent or in other words, an increase of more than 66 per cent at the end of the next six years.

It is all very well to talk of reducing the level of motor vehicles taxation, but what about the revenue repercussions of such a move? The learned doctor anticipated this and said: "The loss in revenue will be compensated for considerably by tax from the additional vehicles; the additional vehicles will pay not only the vehicles tax but also the sales tax on petrol; again, the increased share of the Central Road Fund will come our way. And lastly, new vehicles will pay General Sales Tax when they purchase additional vehicles." Reduced to actual figures, the reversion to the old rate would no doubt involve an annual initial loss of Rs. 58 lakhs, from the present revenue amounting to Rs. 123 lakhs. But taxation from the additional lorries alone would give Rs. 52 lakhs in the sixth year. Because of the addition of these lorries, there would be an additional petrol Sales Tax of Rs. 63 lakhs. Then there is Bombay's share from the Central Road Fund built out of the Central duties on petrol which is expected to increase by Rs. 21 lakhs; and, finally, comes the General Sales Tax from the increased sale of lorries accounting for an annual income of over Rs. 18 lakhs. Altogether, these would amount to an increased revenue of Rs. 154 lakhs in the sixth year, as against a loss of only Rs. 58 lakhs arising from the reduction of vehicle tax on the existing vehicles. "Thus we shall witness a heartening phenomenon of a reduction in vehicle tax actually yielding an annual increased revenue of about a crore of rupees by the end of six years", declared Dr. Antia. But this is not the only gain. In addition to this direct gain to the State, there would be a number of other indirect gains, such as expansion of the general industrial output. As Dr. Antia observed, "the gain to the State from this is much greater than can be secured by taxes on transport itself."

But perhaps the argument that verily clinches the issue in favour of expansion of road transport which Dr. Antia put forward was that expansion of the road transport industry helps mitigate the problem of unemployment. Said Dr. Antia: "At the end of five years, there will be over 37,000 additional men directly engaged in transport industry in the State even at 4½ hands per vehicle. Additionally a number equal to half this will be employed in workshops, garages, petrol pumps, etc. Thus nearly 56,000 people will secure employment without any special effort on the part of the State". Here is a prospect which, in my opinion, our planners ought to seize. What could be more more alluring than a proposal which promises to give higher revenue to the state, larger employment to the people, greater production to industry, and a higher standard of living all round?

Dr. Antia's address was also notable for his vigorous and reasoned plea for making the present Transport Advisory Council a statutory body fully representative of non-official opinion. The idea underlying this suggestion is the imperative need for a national transport policy. Not until we have an integrated national transport policy can India hope to have a well moulded transport system calculated to serve the best interests of the country. It is encouraging to find that the transport ministry has reacted favourably to this suggestion, to start with anyway.

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BUSINESS NOTES

INDUSTRIAL FINANCE CORPORATION'S PROGRESS

THE OPERATIONS of the Industrial Finance Corporation during the year ended 30th June, 1955 unfold an account of a progressive trend in sanctions of loans. From this angle, the Corporation achieved a new peak with a total sanction of loans of the order of Rs. 734 lakhs—an excess of Rs. 206.95 lakhs above the previous peak registered in the preceding year. Of greater significance than this fact is the encouraging shift towards greater assistance to new industrial undertakings. A break-up of last year's sanctions of loans discloses that 18 applicants from new firms were granted loans of Rs. 552.5 lakhs as against a provision of Rs. 181.5 lakhs for 9 applicants from old concerns. This distribution alters the earlier ratio of benefit from loans as between these two categories of undertakings. The overall position at the end of June 1955 indicates that 60 new companies were sanctioned loans of the order of Rs. 1522.5 lakhs while 65 old companies were granted loans to the extent of Rs. 1285.25 lakhs. Industry-wise, the distribution of loans during 1954-55 shows sugar, textiles and paper as the leading beneficiaries with a loan allocation above Rs. 100 lakhs. The actual distribution was:

(1) Sugar	238.0
(2) Textiles	119.5
(3) Paper	107.5
(4) Cement	80.0
(5) Automobiles & Products	62.5
(6) Rayon	60.0
(7) Chemicals	35.0
(8) Firebricks & Potteries ..	10.5
(9) Metals & Electricals ..	7.5
(10) Iron & Steel (Light Engineering)	6.0
(11) Bicycles	5.0
(12) Pigments	2.5

The modest role of the Corporation as an agency for the provision of industrial finance is indicated by its total loan sanctions in the last seven years since its inception of the order of Rs. 2807.75 lakhs, which amount to an annual average of Rs. 401.10 lakhs. The effective assistance rendered by the Corporation to industry is on a still smaller scale as revealed by the amounts of actual disbursements from year to year which add up to a total of Rs. 1452.96 lakhs or a yearly average of Rs. 207.56 lakhs. In the matter of actual payment of instalments of sanctioned loans, the performance in 1954-55 was the lowest in seven years with the exception of the initial year. Actual loans disbursed last year amount to Rs. 164.31 lakhs—a considerable decline from the preceding year's figure of Rs. 281.86 lakhs. This is, of course, no reflection on the Corporation's readiness to make payments since the main determining factor is the loanee's own estimate of his requirements from time to time. It is common knowledge that the loanee's estimate in this behalf is influenced by his anxiety to keep his liability for interest charges to the minimum. Delays in drawals are also due to unanticipated delays in the execution of projects.

Mr. K. R. K. Menon, who took over as Chairman in August this year, makes no secret of the management's awareness of the present limitation on the scope of the Corporation's capacity for service. He disclosed at last Saturday's annual meeting of the shareholders that the Corporation was contemplating a sizable expansion of its resources by asking for an allotment of Rs. 15 crores in the second Five-Year Plan. A State-wise analysis of the loans of the Corporation to date highlights the lion's share appropriated by the industrially advanced states—Bombay Rs. 897.90 lakhs, West Bengal Rs. 388.50 lakhs, Bihar Rs. 299.00 lakhs, and Madras Rs. 232.50 lakhs, while the remaining States have loans considerably below Rs. 200 lakhs to their credit. Assam constitutes a singular instance of a State which has derived no benefit whatsoever from the Corporation. Between the alternatives of keeping substantial parts of its resources idle and advancing loans to deserving applicants from advanced States, the Corporation has rightly chosen the latter. But Mr. Menon has now given the welcome assurance that the Corporation would show a bias, wherever practicable, for the underdeveloped States.

The chapter of bitter criticism and resentment against the Corporation's management should now be regarded as closed. The Sodepur factory which was taken over by the Corporation due to developments arising out of the loan transaction of Rs. 1 crore is sold to a Tokyo firm for a valuation of its assets at Rs. 62 lakhs. The purchasing firm has undertaken to set up an Indian company to run the glass works. The plot of land purchased by the Corporation to erect its own building has been surrendered to the Government at cost price, but an amount of Rs. 1.49 lakhs, described as mostly due to architects' fees, had to be written off. Last year's accounts show a net profit, after making all essential appropriations of Rs. 9.70 lakhs, which is set aside as tax provision. In the result, the Government is being called upon to meet the commitment of dividend guarantee of the order of Rs. 11.25 lakhs.

IMPACT OF JAPAN'S ENTRY IN GATT

THE ENTRY of Japan as a full member into the GATT on Saturday 10th September, after a struggle lasting for more than three years, has apparently put most of the countries participating in the General Agreement on Tariffs and Trade on the defensive. In fact, it was reported that as many as fourteen countries, including India, invoked the 'escape clause'—the clause which allows these countries to refuse Japan the "most-favoured-nation" treatment—against that country. In this connection, it was disclosed by a GATT spokesman that it was quite feasible for countries to vote in favour of Japan's admission to GATT and still invoke article 35 which permits any member-country to restrict imports of Japanese goods if it considers such a course necessary.

Particularly generous and fresh tariff concessions were given to Japan by America only recently at the Geneva conference, but even without these concessions, it may be noted, shipments of Japanese textiles to America have been creating records for some time past. A member of the Foreign Trade Committee of the American Cotton Manufacturers Institute (ACMI) disclosed, the other day that Japanese imports of cotton piecegoods into the USA had increased at rates ranging from 100 per cent to 1,000 per cent and that the Japanese were in a position to "knock off" US mills any time they chose. Unless corrective measures were taken in the form of controls to regulate the inflow of Japanese goods into America, he cautioned, Japan could knock off mills or entire segments of the American industry "like so many clay pigeons". It would appear that imports of cotton piecegoods into the US as a whole improved from 8.6 million sq. yds. during the period January-May, 1954 to 32.3 million sq. yds. during the same period this year, unfinished sheeting from 1.2 million sq. yds. to 7.8 million sq. yds., poplin from no shipment to 4.4 million yds., printed shirtings from 60,000 yds. to 2.7 million yds., towels from 3,000 to 450,000 and shirts from 14,000 to 700,000.

If the Japanese export trade in textiles, with particular reference to America, was so promising even before she was admitted as a full-fledged member of the GATT, the new concessions recently made to her by the US at the Geneva conference—these became

effective from September 10, 1955—should simply multiply a hundred-fold the chances of the Japanese textile industry "raiding and capturing" entire segments of American industry, as the ACMI spokesman rightly apprehended. And if this be the lot of so highly advanced a country like America, it does not need much imagination to foresee what the lot of less advanced countries like India is going to be.

CASHEW CAUSES CONFUSION

THE GOVERNMENT of India's import policy on raw cashewnuts has been severely criticised by the cashewnut trade in Bombay. The item, it may be remembered, was on the O.G.L. in 1953., but since then, import licences are being allowed only to actual users, that is, to manufacturers, who are concentrated on the Malabar Coast. As a result, the trade complains that established importers—some of these have their offices in the supplying centres of East Africa while others have very good connections there—is being slowly forced out of business. The grave danger underlying the development can be gauged by the fact that nearly 80 per cent of the total East African trade is now in Indian hands. Unless adequate encouragement is given to these by the Government of India, other interests will naturally benefit and oust our people.

It may not be known to many that the cashewnut processing industry as such did not exist in India before 1925; it did not, in fact, figure as a significant item until the thirties. During and after the second World War, however, the volume of India's cashew trade increased considerably with the United States emerging as the largest single buyer and taking not less then eighty per cent of the country's total exports of cashew kernel and shell oil. The following table shows India's exports of cashew kernel to America during the last four years:

EXPORTS—JANUARY—DECEMBER

Year	Quantity (in tons)	Value (in rupees)
1951	23,506	9,75,57,391
1952	25,618	11,93,47,342
1953	28,902	13,71,88,707
1954	31,126	10,22,31,896

The overwhelming dependence on only one market, even if it be the U.S. market, thus means that a softening of that market can create a crisis in the whole of the cashew industry and trade here. Nothing should be done, therefore, to arrest or retard the flow of cashew exports to the U.S., and any proposal bearing on the cashewnut industry also must be carefully examined against this all-important factor.

In the development of this industry, it may be noted, a few individuals have always had an abnormally large share and they are now studiously sponsoring a proposal which would enable them to continue to maintain their share of the total business by official sanction. Apparently their idea is to have this business regulated through a statutory board which they would be able to dominate. It is understood that during the visit of the Union Minister for Commerce and Industry to Travancore-Cochin some months ago, these interests even made representations to him on these lines. But it is feared by other cashew interests that any such regulation will not only strangulate the industry, but effectively prevent any enterprising newcomer from entering this field. The demand of this small section of producers is accordingly condemned by these interests as not only wrong in principle but also injurious to the growth of the industry. It is significant too that the cashew manufacturers themselves are split on the issue; there is a lobby within the industry itself which is strongly opposed to this move, although the opposing interests—some at least—themselves stand to gain by the scheme.

On the trading front, excessive forward commitments and forced price movements would appear to have complicated the market, but there are also other reasons that have contributed to this year's sudden spurt in cashewnuts. First, the American groundnut crop was a failure resulting in the U.S. Government permitting the import of 51 million pounds. Secondly, the world edible market, generally, has been presenting an intractable front. Thus, while frost has affected Spain's almond crop reducing the 1954 output to 20,000 tons from 28,000 tons in the previous season, the Italian walnut crop is down by 30 per cent. The latest estimate of the Indian cashewnut crop too is lower at 40,000 tons. All these have naturally led to a strong upswing in cashew prices; and the almost jungle warfare that has been raging in the cashew market, it is believed, has resulted in heavy casualties. One wonders whether in these circumstances, the cashew market can be straightened out by creating a statutory board committed to a marketing policy in advance. Till the Government has had time to study the industry more thoroughly and to make an intimate and fuller appraisal of its problems, the best thing to do would seem to be to leave the trade well alone. The trade has so far at least proved quite capable of speedy growth and improvement on its own.

PROGRESSIVE COCHIN

AMONG THE regional topics discussed by Mr. W. G. Black in his presidential address at last week's annual meeting of the Cochin Chamber of Commerce, the progress of Cochin Port on several fronts is a matter of interest in the wider perspective also since Cochin ranks as one of India's important medium ports. Its increasing utility as a sea outlet is borne out by the figures of inward and outward cargo clearance. If bunker coal, bunker oil, food grains and similar items are excluded, the position of purely commercial traffic that emerges indicates distinct improvement. Commercial imports were up by 64,240 tons in 1953-54 as compared to the previous year, while the increase in exports amounted to 27,642 tons. The expansionist trend of trade via Cochin calls for improved facilities at the port. These are being extended in some respects, while in regard to others the situation seems hopeful. The problem of electricity shortage is on the way to solution and for the present relief has been offered by reduction in rate tariff since June last. Of greater significance in the long run is the progressive execution of development projects to bring the hinterland in closer contact with the port. More road bridges are under construction and if the Cochin—Bodinayakanur railway line is given priority for construction, communications will be quicker and cheaper. New berths are expected to be completed in a couple of years.

The Chairman has urged caution and moderation in putting through the scheme of centralisation of customs examination of foreign export cargo. The initial step in this reform, taken a year ago and confined to dutiable cargo only, is of too short a duration to warrant its extension in the sphere of free and cessable cargo. Nevertheless, a beginning has been made here also just last week. There is still ample time to prevent haste and the trade's suggestion to the customs authorities to extend centralisation to free and cessable cargo in slow stages deserves to be heeded. This reform makes it incumbent on the customs collectorate to take all practicable precautions to ensure that congestion of cargo at the wharfs is scrupulously avoided and no delays are allowed to occur in shipments. Certain incidental problems including regulation of boat traffic at the wharves and prompt allotment of space in transit sheds have now become a special responsibility of the port authorities. These requirements coupled with good relations with labour are essential to prevent possible congestion and set-back to trade through the port. On the score of industrial relations, the last year has been one of peace and it is to be trusted that the dock labour scheme which was introduced in January this year will be worked in a spirit of harmony and sincerity.

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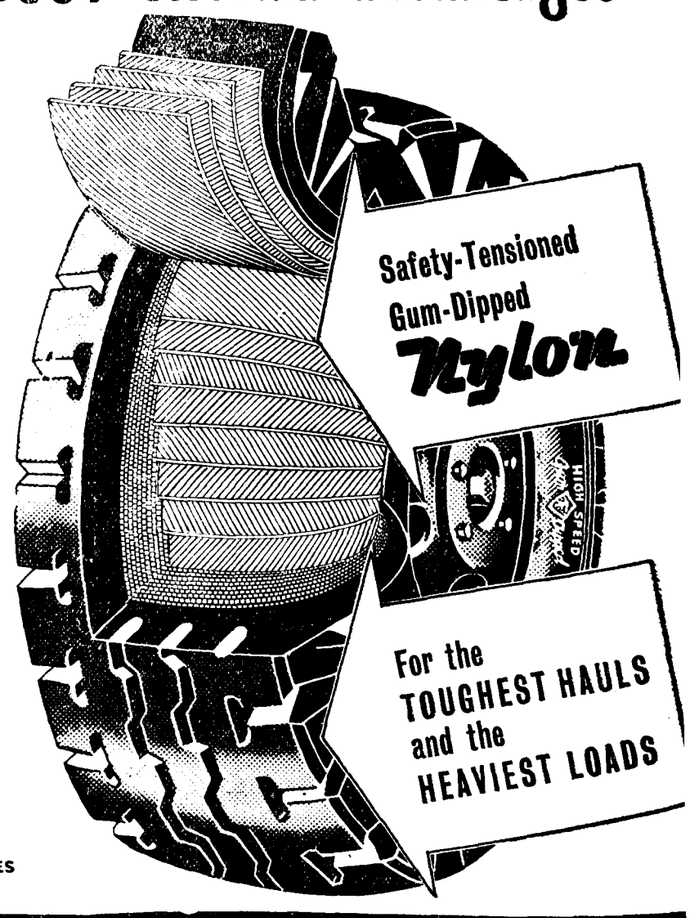
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Letters to the Editor

EMPLOYMENT—DIRECT AND INDIRECT

.r,

I was amazed to read the article 'Employment—irect and Indirect' in your journal of August 19, 1955, y Croesus. His parenthetical statement that, as a lay-ıan he cannot vouch for the accuracy of his figures, oes not in any way mitigate the gravity of errors in is judgment or the gap in his knowledge of the true onditions in the country.

His figures of investment, employment and earn-ıgs cannot be critically examined, because he has not efined the terms "direct" and "allied" employment. n their absence no comment is possible on his so-alled statistical study of "allied employment" in the arious types of productive units. It is difficult to con-ede his point that for a given volume of output, "allied mployment", which usually means employment gene-ated by the need to transport and distribute the out-ut or to assist production through supply of raw naterials, stores, repair and maintenance of plant, and inance and other services, can be so low in hand indus-ries, in which distribution of raw materials, finance, tores, etc., for a given volume of output involves wider overage.

Of greater importance is his point that "although it may be possible for hand industries to provide larger employment they will not be able to raise the standard of living of the people to an appreciable extent. The fundamental problem....is not just the employment alone—mere employment is of little consequence—but also a rise in the standard of living". His contention seems to be that as the per capita earning in household industries—(how he computed the earnings in household industry is not clear)—is small, their development is of no national economic significance. In fact he is of the view that "the problem of unemployment is relatively more among educated middle classes to whom jobs that hand spinning and hand weaving may have to offer do not provide an effective solution".

Croesus does not seem to have perused the reports of the Agricultural Labour Enquiry Committee or the Rural Credit Survey or the various rounds of National Sample Survey, each of which provides a direct and convincing refutation of his statement. Unemployment as well as under-employment in rural areas is, in magnitude, diffusion and extent, considerably larger than urban unemployment, a fact which is now generally conceded. If noise or organized demonstration is the measure of a problem, his statement may be accepted as true.

Croesus dismisses cottage industries—I am ignoring his confusing cottage industries or hand industries with small-scale industries—because the level of earnings in them is low as compared with large-scale industries. He is probably unaware—not having read the recent reports referred to above—that 48 per cent of our rural population and 36.7 per cent of the urban population have a per capita consumption expenditure of less than Rs. 20 p.m. It needs no great intelligence to appreciate that to this mass of population, increased output through large-scale industries signifies, and can signify, nothing unless they can purchase them for their benefit. As long as they continue to be unemployed—in any form—improvement is impossible, though additional "wealth" may have been created. Calculations of per capita income and per capita availability of essential commodities, in the context of the sharp inequalities in the distribution of incomes in the country, index of which is available in the reports referred to above, have no meaning; and a pattern of development that leaves the mass of our population untouched has neither a social nor an economic nor a political significance in a democratic country.

Had he cared to study recent trends, Croesus would have learnt that women members of the urban lower middle class are taking to hand spinning as a means to augment their family income; and employment does not necessarily connote employment of men alone. Moreover, no "conventional" pattern of development attempted elsewhere in the world can ever provide employment on the scale required in this country and to people in the very low income brackets. It has to be made increasingly clear that "white collar" jobs cannot be created, no matter what the pattern of development, to absorb continuously the annual addition to the labour force. If employment is needed, available jobs must be accepted.

In an age of adult franchise and democracy the rural voters, who lack the efficient organization of those in urban areas to present their grievances, must receive their importance due to their number and need. No truly democratic Government can ignore their claims.

It is, of course, implicit in all that has been said here that once the dire needs of the people for basic necessities of life are met, and through a better pattern, incomes are more widely diffused than now, conditions will have been created to introduce technical changes to raise productivity. It is, therefore, erroneous to consider that the protagonists of hand and household industries are against technical improvement. What they are against, and will be against as long as the present conditions continue, is the importance attached to the increases in production without a study of the needs of equitable distribution.

Concept of a rise in the standard of living in the conditions of India is to be related to the poorest among us. Without that basic social bias, the emphasis of the Plan or its priorities or its approach is likely to be false, and render the main objectives set out in the directive principles of our Constitution pious platitudes rather than the "directives" of State action in the immediate present.

Yours faithfully,

C. K. NARAYANSWAMI.

Director of Publicity,
All-India Khadi and Village Industries Board.

BOMBAY,
September 12, 1955.

[In reply "Croesus" has made the following points:]

"I still believe one normally talks of a layman as distinct from a specialist, but Mr. C. K. N.'s conception seems to be that a layman is one who is full of grave errors of judgment and gaps in knowledge of

the true conditions in the country. C. K. N. has put words into my mouth, which is all right in politics, but not in objective criticism. C. K. N. complains that my figures of investment, employment and earnings cannot be critically examined, because I have not defined the terms "direct" and "allied" employment, but what he says later on in the same para shows that this was hardly necessary on my part. For, he has shown that he is as fully conversant with these terms as I expected any reader of this journal would be, and further defined them himself in clear terms. C. K. N. was not expected to concede my point that the "allied" employment for a given volume of output is appreciably lower in hand industries than in organized factory industries. Evidently he has studiously avoided seeing this point clearly made in my article, but I felt perfectly satisfied with the partial concession implied in his statement that he disagreed with me that "employment generated by the need to transport and distribute the output or to assist production through supply of raw materials, stores, repair and maintenance of plant, and finance and other services, can be so low in hand industries....." By implication he then admits it as low enough. I am certainly not out to quarrel over the precise degree of this difference.

It was far from my mind to say that the small per capita earnings in household industries (the data on these earnings were furnished by a genuine Congress worker) were of no national significance. What I argued was—and I have checked this carefully—that, in the context of the two-fold objective of the Plan-frame—12 million jobs and 25 per cent increase in the national income—undue reliance on small-scale and cottage or hand industries could not be expected to yield the desired results. No less person than Mr. Gulzarilal Nanda has said on page 8 in his Note on "Approach to the second Five-Year Plan—some basic considerations" (may be C. K. N. has conveniently ignored this): "On a closer scrutiny of the physical targets, it appears likely that the contemplated programme to be undertaken will give an increase (in national income) of less than 5 per cent per annum and produce employment opportunities falling substantially short of 11 to 12 million jobs which had been estimated earlier." Although Mr. Nanda has conceded, I know C. K. N. will not.

I have not spoken of urban unemployment alone. Indeed, when I wrote of unemployment, what I had at the back of my mind was the thousands of educated young men in and from the villages.

I do not dismiss cottage industries or hand industries or, for that matter, small-scale industries—because the levels of earnings in them are low as compared with those in large-scale industries. What I am interested in, as much as C. K. N. and others who are equally interested in the prosperity of this country, is that people who are dependent on these industries must be enabled to earn more by being provided with improved and better type of equipment; even this is often opposed. To the vast mass of our rural population, increased output through large-scale industries signifies nothing, unless they can purchase with it some things for their benefit. May I submit that this also applies to increased output through cottage industries, hand industries or small-scale industries to some extent. For it is possible that, even when one is employed, if one does not get an adequate income, one will not be able to afford any increase in one's purchases, even of the products of cottage or hand industries.

C. K. N. also charges me with not having cared to study recent trends, but does C. K. N. know that more women members of the urban middle class are today seeking employment in offices and commercial establishments than those who resort to hand spinning as a means of augmenting their family income? Even a sample survey would prove this.

I have no quarrel either with C. K. N.'s further point that "it has to be made increasingly clear that 'white collar' jobs cannot be created, no matter what the pattern of development, to absorb continuously the annual addition to the labour force", and, "if employment is needed, available jobs must be accepted." But I must add here that it affords no solace to the 'white collar' worker, if public workers mouth such wise-after-the-event dicta. Surely the 'white collar' worker who is unemployed today did not bring this state of affairs upon himself; he did not choose, nor was the poor fellow responsible for the system of education which has landed him in his present predicament.

As regards the conventional "pattern of development," I am one with C. K. N. when he says that these patterns of development attempted elsewhere in the world can never solve our problem in India. If C. K. N. had only cared to follow my criticism of the Plan-frame, as he has had occasion to do, he would have found my criticism too was directed against a slavish imitation by India of 'conventional patterns of development attempted by other countries in the world, in particular, the U.S.S.R. In the ultimate analysis, what I or any other Indian would want is an improvement in the standard of living no matter what pattern of economic development is adopted. Let me, therefore, conclude by improvising the saying of a great poet "For patterns of development let fools contest; whatever makes for a rapid rise in the standard of living is best."—**Croesus]**

(Correspondence on this subject will now cease—**Ed.**)

RECORDS & STATISTICS
(QUARTERLY BULLETIN)

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

Vol. 6. No: 4. Just out.

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COMPANY AFFAIRS

BRITISH BURMA PETROLEUM CO., LTD.

The forty-fourth annual report of the British Burmah Petroleum Co., Ltd. shows the Company's profit (before taxation) for the year ended March, 1955 at £34,154, as against £87,991 in the previous year. The Company's income during the year under review was received mainly from the South African subsidiary which earned slightly improved profits at £54,051 compared with £50,498 in the previous year. After providing for the interim dividend of 5 per cent paid in June, 1955 and for taxation, there remains £40,981 to be carried forward (£47,672). The consolidated profit of the British Burmah group of companies was £45,176 compared to £53,460 in the preceding year. The figures do not include the gross dividend income from the Burmah Oil Co. (1954) Ltd., paid since the close of the financial year, amounting to Kyats 1,27,144 (net K 63,572). This will be taken into the accounts for the current year.

The transfer of the Company's Burma undertakings to the Burma Oil Co. is represented on the balance sheet by the investment of 29,146 shares valued at £141,620 in that company. One-third of the Company's holdings were sold to the Burma Government for which the first payment of £56,018 has already been received, the balance of £53,286 being still due.

A sum of £2,393 was received during the year in respect of the Company's share in the merger of the oil interests in Burma before the commencement of operations of the new company. Little progress has, however, been made in the matter of the claim against the Union Government of Burma for compensation for the destruction of the Company's assets as a war measure.

According to the directors' report, the South African subsidiary has participated in the formation of the Decorative Boards (proprietary) Ltd., and acts as technical managers to this and to three other companies besides. In addition to its holdings in these companies, shares are also held in Anglo-Transvaal Consolidated Investment Co. and Masonite (African) Ltd.

By not recommending any final dividend for the year ended March, 1955, the directors have already given effect to the new dividend policy which the Company proposes to follow in future. Hereafter, says the report, interim dividends will not be declared; instead, the dividend recommendation will be submitted to the shareholders for confirmation at the annual general meeting.

The following table gives the summarised balance sheets of the Company for the years 1954-55 and 1953-54:

(Figures in £)

	LIABILITIES					ASSETS	
Year	Capital	Capital Reserve	Sundry Liabilities	Profit & Loss Account	TOTAL	Fixed Assets	Current Assets
1954-55	750,000	182,092	186,965	40,981	1,160,038	935,106	224,932*
1953-54	750,000	182,092	149,887	47,672	1,129,651	1,037,562	92,089

* Includes £53,286 due from the Burma Government in respect of the shares acquired from the Company.

THE SARAN ENGINEERING CO., LTD.

The Audited Accounts of the Company, for the year ended March 31, 1955, show, after making the usual provisions and including provisions no longer required written back, a profit of Rs. 2,00,893
from which has been deducted
Depreciation .. .. .. „ 1,60,000

Rs. 40,893

To which has to be added the Carry Forward from the previous year .. „ 10,019

Leaving at credit of Profit and Loss Account .. .. Rs. 50,912

This balance is to be disposed of as follows:
In payment of a dividend of Re. -|4|- per share, free of Income-Tax, for the year ended March 31, 1955 .. .. Rs. 37,500

Carry Forward .. .. .. Rs. 13,412

During the year under report, the Company's sales improved slightly but increased labour costs and intensified competition in the Company's traditional lines of production are reflected in the reduced trading profit. The experience of transport difficulties has resulted in the Company being compelled to hold larger stocks of stores and raw materials than is desirable.

The extensive capital replacement programme referred to in the last Report has been continued, and is expected to strengthen the competitive position of the Company, but the necessary provisions consequent to this programme have reduced the net amount available for distribution.

ORIENTAL GOVERNMENT SECURITY LIFE ASSURANCE CO., LTD.

The Directors, at their meeting held on September 14 last, decided to recommend to the Extraordinary General Meeting to be held shortly to consider the Actuary's Report on the Valuation as at December 31, 1954. Bonuses to With Profits Policyholders at the increased rate of Rs. 18 on Endowment Assurances and Rs. 22-8 on Whole Life Assurances per Rs. 1,000 Sum Assured per annum. This represents an increase of 50 per cent over the bonuses declared at the last Valuation, viz., for the triennium ended December 31, 1951.

COMMODITY NEWS AND NOTES

BEARISH TREND IN GROUNDNUTS

Of late, the groundnut section of the Bombay oilseeds market has developed a predominantly bearish bias. As a result, groundnut oil prices have fallen below even the minimum fair price suggested by the Union Commerce and Industry Minister, namely Rs. 1,000 per ton. The weakness in the market has been generated by the imminence of large new crop arrivals. Apprehensions on this score gave rise to large-scale unloading by bulls of their forward purchases as well as spot supplies. Besides, earlier fears that the groundnut crop in Saurashtra this season might be considerably small have since been belied, and it is even being suggested that that State might start the marketing season, in the middle of October, with a balance of about 50,000 tons. Bombay is the natural outlet for this surplus. Arrivals even in the first week of September from Saurashtra, it was reported, amounted to about 500 tons of groundnut. This is but a prelude to larger arrivals in the near future, it is feared.

On the export front too, conditions have remained sluggish, the August shipment of groundnut oil amounting to just 55 tons. Prices overseas have continued unchanged at low levels and there is no fresh business presumably owing to earlier sizable purchases by foreign buyers following the quota announcement early in August. While prices in London, the Continent and the Far East remained unattractive, at around Rs. 900 per ton, the market provided the real attraction, the price per ton having improved from Rs. 1,460 to Rs. 1,530 in the past few days. But even this failed to put life into the market and prices of both groundnut and groundnut oil have tended to seek lower levels.

Following the recent dumping of the soya bean crop on the Continent by the U.S.A., its oil and the relatively lower price obtained for it might prove to be an additional adverse factor against large-scale exports of groundnut oil from India to the Continent. In these circumstances, the need for a reconsideration of the export policy in regard to groundnuts, with particular reference to the export duty, becomes only too patent.

FOOD CONSUMPTION EXCEEDS OUTPUT

A report issued by the U.N. Food and Agriculture Organisation in Rome on September 14, stated that world agricultural output (excluding Communist countries) was more than 25 per cent greater in 1954 than in 1946-47, but that people in large parts of the world still cannot buy as much food as they need. The report pointed out that gains in production have been unevenly spread and consumption of food per person still remains below the very inadequate pre-war levels in many Far Eastern and some Latin American countries. Preliminary estimates for 1954-55 show that the free-world food production failed, for the first time since the war, to show any appreciable rise on the previous years.

Reviewing developments in the past ten years, the F.A.O. said at the end of the war, the world agricultural production was down 5 per cent and the world population was up 10 per cent on pre-war levels. The world is now producing about 20 per cent more rice, milk and cotton than before the war, about 30 per cent more wheat, fats and meat, 50 per cent more fruit and sugar, and 80 per cent more rubber, excluding synthetic rubber.

The main reasons for these increases were: (1) Widespread adoption of farm price supports and other measures to stabilize farmers' incomes giving them confidence to grow more food. (2) Rapid development of land and water resources in backward areas. (3) Modern farming techniques.

The F.A.O. listed the main weaknesses in the agricultural situation at present as follows. (1) Failure of consumption to increase with production leading to surpluses in some countries. (2) Rigidity of production patterns preventing rapid response to shift in demand. (3) Stagnation of world trade in agriculture products. (4) Low level of farm incomes in relation to incomes in other occupations.

DOUBTS ON FARM PRICE SUPPORT

At its meeting held in New Delhi on September 14, the Committee of the Federation of Indian Chambers of Commerce and Industry suggested to the Agricultural Prices Variations Enquiry Committee that the Government should regulate its public works programme and extend the warehousing and credit facilities to avoid the necessity of price support to agricultural commodities. This the Committee felt, would better serve the end of a policy to ensure that there was no precipitate fall in the prices of these commodities. In its view, the policy of price support would be "difficult to operate for various reasons".

FIRST ESTIMATE OF COTTON

The all-India first estimate of cotton, 1955-56, puts the current year's acreage at 13,173,000, as against the adjusted first estimate of 12,918,000 acres for 1954-55, according to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. This shows an increase of 255,000 acres or 2.0 per cent in area over last year.

The increase in acreage under cotton during the current year has been reported mainly by Bombay, Punjab, Madhya Pradesh and PEPSU and has been attributed to favourable weather conditions at sowing time and to developmental schemes undertaken under the Cotton Extension Scheme. The high price of cotton at the time of sowing was also a contributory factor for this increase in area in these States. The increase has been offset, to a great extent, by decreases recorded by some of the States especially Saurashtra due to inadequate rainfall during the early part of the monsoon.

As between the different varieties of cotton, the increase in area has occurred mostly in Americans, Jarilla (including virnar) Malvi and Broach-Vijay. A considerable decrease in acreage has, however, occurred in Dholleras. As regards staple lengths, there is appreciable increase in the case of long-staple cotton. The information given in this estimate relates generally to the period up to the end of July 1955. Till then the condition of the crop was reported to be on the whole satisfactory. In parts of Bombay, however, the crop was reported to have suffered, to some extent, due partly to inadequate rainfall and partly to insect pests.

JUTE CONSUMPTION BY MILLS

According to a statement made by the Union Minister for Commerce and Industry in Parliament, the consumption of raw jute per month on the basis of the present production was estimated to be about 5.3 lakh bales of 400 lbs each. There were 113 mills which were actually working at present and the stocks of raw jute with the mills on March 31 last were reported to be 14 lakh bales.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
December 1954 ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	116.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
Week Ending										
30-7-1955 ..	313.3	414.6*	325.7	371.8	551.4*	357.2*	90.9	100.7	87.9	119.8
6-8-1955 ..	315.7	400.9	327.1	371.5	560.7	356.3	90.9	100.7	87.8	121.4
13-8-1955 ..	315.1*	406.2*	326.6	371.6	562.8*	356.9	90.9	100.7	87.8	122.0
20-8-1955 ..	320.5	405.3	326.8	371.2*	563.2	358.5*	90.9	100.7	87.7	122.9
27-8-1955 ..	318.5	404.3*	325.1	370.6	562.4	357.2	90.9	100.7	87.7	124.4
3-9-1955 ..	318.4	392.9*	325.5	368.6	561.8	354.8	90.9	100.7	87.5	123.9

c Average of weeks. *Revised

†Economic Adviser's Series. ††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 August	345	362	241	135	330	408	372	140	336	145	141	138
September	347	364	237	137	332	406	371	137	335	147	142	138
October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	—	—	—	—	129	130
July	324	340	224	129	325	371	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

Week-ended	WEEK ENDED											
	17-9-1955			10-9-1955			3-9-1955			27-8-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95-14	94- 8	95- 4	95- 2	94- 4	94-12	95- 0	93-10	94- 4	96- 6	95- 6	95-14
Silver (per 100 fine tolas)	166-10	164- 8	165-10	166- 4	163-12	165-10	164-12	163-12	164- 6	167- 4	165-12	166- 9

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	61.77	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
Average of Fridays										
February 1955 ..	585,47	370,53	956,00	32,16	49,63	8.58	494,74	84,46†	60.58	354,09
March ,, ..	578,19	375,11	953,30	32,95	46,16	8.27	509,93	102,47†	64.21	346,25
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July ,, ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August ,, ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
Week Ending										
5-8-1955 ..	602,88	410,41	1,013,29	34,37	48,05	8.13	488,90	113,25†	61.64	369,91
12-8-1955 ..	607,65	409,24	1,016,89	34,48	50,32	8.34	488,00	110,53†	60.96	371,44
19-8-1955 ..	601,39	407,64	1,009,02	34,49	48,16	8.19	510,44	109,71†	63.04	376,03
26-8-1955 ..	608,07	409,06	1,017,13	33,27	50,23	8.21	496,51	109,70†	61.39	378,28
2-9-1955 ..	601,81	409,78	1,011,59	33,18	56,76	8.89	505,01	109,16†	62.29	379,45

* Undivided India.

† Including foreign bills purchased and discounted.

NOTE: Column (10) indicates (8+9+money at call and short notice) as percentage of (4) from 14-5-54.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,784,55	1,199,25	585,30	548,95	36,35	−44,30
1953-54 ..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55 ..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
June 1954 ..	1,806,36	1,208,21	598,15	564,98	33,17	−32,97
July ,, ..	1,777,63	1,175,61	602,02	568,64	33,37	−28,73
August ,, ..	1,771,92	1,167,01	604,91	577,98	26,93	−5,71
September ,, ..	1,774,00	1,173,53	600.47	576,01	24,46	+2,08
October ,, ..	1,797,27	1,185,44	611,83	579,08	32,75	+23,27
November ,, ..	1,807,86	1,188,45	619,40	591,39	28,01	+10,59
December ,, ..	1,848,89	1,224,61	624,28	597,20	27,08	+41,03
January 1955 ..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February ,, ..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March ,, ..	1,980,90	1,311,77	669,13	599,16	69,97	+65,56
April ,, ..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May ,, ..	1,989,42*	1,348,43*	640,99*	616,87*	24,12	−13,72*
June ,, ..	1,988,80*	1,344,02*	644,77*	623,53*	21,24	−62*
July ,, ..	1,975,92*	1,323,86*	652,06*	621,48*	30,58	−12,88*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.

EXPORTS OF COAL AND COKE FROM INDIA

1951-52—1954-55

	Quantity (in tons)				Value (in Rs.)			
	1951-52	1952-53	1953-54	1954-55	1951-52	1952-53	1953-54	1954-55
To United Kingdom	117,010	..	..	..	41,48,278	..	..	..
To Aden	55,935	..	..	..	18,80,039	..	..	..
To Pakistan Western	132,050*	81,768*	349,930	406,924	42,27,810*	26,73,608*	1,69,19,670	1,42,63,909
To Pakistan Eastern	50,927*	87,149*	389,056	453,818	19,55,760	29,46,119*	1,05,12,840	98,15,413
To Ceylon ..	272,109	317,710	238,480	225,685	82,62,454	1,09,48,787	76,37,052	70,80,140
To Burma ..	124,466	232,375	273,090	230,429	45,32,991	88,78,701	1,02,16,185	76,08,751
To Singapore ..	112,410	114,356	42,589	45,969	36,26,408	41,38,492	15,05,667	15,45,709
To Hongkong ..	147,189	155,341	111,490	93,222	48,05,097	57,12,543	38,24,110	31,48,190
To Japan ..	812,776	604,325	329,684	20,651	2,62,65,590	2,15,37,147	1,19,78,330	7,49,971
To Egypt ..	118,449	10,162	..	..	32,46,005	..	..	..
To Australia ..	193,525	154,475	..	..	59,77,511	52,35,648	..	..
To Other Countries ..	256,782	333,638	172,894	446,677	91,62,118	1,17,95,654	58,20,186	1,34,31,243
Total of Coal ..	2,393,628	2,081,137	1,907,213	1,922,745	7,80,90,111	7,38,66,699	6,84 14,040	5,76,48,326
Coke	33,152*	48,591*	30,053	35,171	20,85,991	23,87,165*	13,40,045	15,85,503
Total of Coal and Coke	2,426,780	2,129,728	19,37,266	19,57,916	8,01,76,102	7,62,538,64	6,84,54,089	5,92,33,829

*Exports by Sea only.

INDUSTRIAL PRODUCTION IN PAKISTAN

	Unit	1948	1952	1953	1954
Textiles					
Surplus Yarn	' 000 lbs.	6,203	19,981	52,540	100,452
Millmade cloth	' 000 yds.	88,059	174,160	251,550	347,862
Silk (Art) Fabric	' 000 yds.	NA	3,697	10,185	12,566
Woollen Worsted Yarn	' 000 lbs.	NA	1,540	8,694	7,500
Jute manufactures	tons	..	17,573	50,126	53,900
Food					
Sugar	' 000 tons	7	64	86	76
Hydrogenated vegetable oil	' 000 tons	..	8	11	11
Fuel & Power					
Diesel Oil	'000 imp. gls	1,341	5,850	9,062	12,276
Motor Spirit	do	2,212	15,101	16,950	19,076
Kerosene	do	308	2,323	2,385	2,825
Furnace Oil	do	6,522	23,749	27,672	25,846
Mineral Turpentine	do	43	181	82	111
Crude petroleum	do	17,022	55,430	61,676	68,067
Lubricants	do	134	371	440	986
Electric energy	' 000 Kwt.	130,336	301,275	407,532	490,000
Minerals					
Chromite	' 000 tons	18	17	23	22
Gypsum	do	NA	29	27	31
Coal	do	241	599	584	554
Limestone	do	347	672	879	822
Miscellaneous					
Cigarettes	Million Nos.	..	3,170	3,996	4,588
Cigars	' 000 Nos.	79	495	1,330	1,419
Rubber Tyres & Tubes	' 000 Nos.	NA	776	1,367	1,902
Safety Matches (20/30 stks) ..	' 000 gross box		134	1,831	3,797
,, (40/60 stks)	' 000 gross box	263	206	1,569	2,867
Upper leather (Tanned)	' 000 sq. ft.	1,000	7,200	7,200	8,600
Sole leather	' 000 lbs.	1,500	8,300	8,300	9,600
Cement	' 000 tons	324	530	596	674
Steel ingots	' 000 tons	2	7	10	10
Steel rerolling	' 000 tons	3	27	25	60
Bone Crushing	' 000 tons	100	150	150	70

Source: Explanatory Memorandum on the Budget of the Central Government of Pakistan for 1955-56.

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CENSUS OF MANUFACTURING INDUSTRIES, 1953
BICYCLES

Items		Bombay	West Bengal	Uttar Pradesh	Punjab	Madras, Bihar and Delhi	Total
1. Number of factories employing 20 or more workers and using power—							
i. In existence	..	6	8	7	17	9	47
ii. From which returns were received		6	4	7	16	8	41
iii. Percentage of (ii) to (i)	..	100	50	100	94	89	87
2. Average number of days worked	..	303	280	296	288	295	293
3. Productive capital employed—							
a. Fixed capital—							
i. Land	Rs.	..	1,30,260	19,500	41,149	2,28,959	4,19,868
ii. Building	Rs.	5,30,838	16,33,894	3,00,082	3,16,127	39,20,474	67,02,315
iii. Plant and machinery	Rs.	22,99,448	39,52,403	6,76,566	10,76,446	62,52,276	1,42,57,139
iv. Other fixed assets	Rs.	3,49,387	8,00,712	1,57,523	1,10,512	4,04,807	18,22,941
TOTAL	Rs.	31,79,673	65,17,269	11,54,571	15,44,234	1,08,06,516	2,32,02,263
b. Working capital—							
i. Stocks of raw materials.	Rs.	33,56,722	34,18,637	4,58,210	7,52,198	27,63,502	1,07,59,269
ii. Stocks of finished products and by-products.	Rs.	24,70,735	2,77,673	3,29,981	1,08,045	6,69,632	38,56,066
iii. Semi-finished products in stock or in process.	Rs.	6,60,205	2,03,237	4,33,636	1,94,267	1,90,665	16,82,100
iv. Cash in hand and at the banks.	Rs.	3,67,867	1,03,805	62,529	44,924	1,17,222	6,96,347
TOTAL	Rs.	68,55,619	40,03,352	12,84,356	10,99,434	37,51,021	1,69,93,782
Total productive capital.	Rs.	1,00,35,292	1,05,20,621	24,38,927	26,43,668	1,45,57,537	4,01,96,045
4. Number of persons employed—							
i. Workers	..	1,454	919	564	724	643	4,304
ii. Persons other than workers	..	359	131	64	144	151	849
TOTAL	..	1,813	1,050	628	868	794	5,153
5. Salaries and wages paid—							
i. Workers	Rs.	30,99,690	6,16,905	3,95,731	4,30,008	4,07,993	49,50,327
ii. Persons other than workers	Rs.	11,13,236	2,99,676	1,05,368	2,35,613	2,75,187	20,29,080
iii. Many value of other benefits or privileges	Rs.	28,139	2,500	2,993	..	..	33,632
TOTAL	Rs.	42,41,065	9,19,081	5,04,092	6,65,621	6,83,180	70,13,039
6. Fules, electricity, lubricants, etc., consumed—							
a. Quantity—							
i. Coal	Ton.	..	465	111	388	18	982
ii. Electricity	K.W.H.	1,547,129	606,092	184,802	247,645	367,181	2,952,759
iii. Lubricating oils	Gallon	17,448	3,280	1,025	1,788	3,357	26,898
b. Value—							
i. Coal	Rs.	..	10,263	4,190	23,887	984	39,324
ii. Electricity	Rs.	92,099	55,188	26,829	31,860	34,605	2,40,581
iii. Lubricating oils	Rs.	89,704	18,609	4,200	12,664	6,918	1,32,095
iv Others	Rs.	1,72,413	78,328	12,785	68,738	58,900	3,91,164
TOTAL	Rs.	3,54,216	1,62,388	48,004	1,37,149	1,01,407	8,03,164
7. Materials consumed—							
a. Quantity—							
i. Steel	Ton.	2,940	320	441	678	446	4,825
ii. Tyres, rubber	No.	389,953	89,326	8,700	89,440	98,664	676,083
iii. Tubes, rubber	No.	227,838	89,326	..	89,440	200,047	666,651
b. Value—							
i. Steel	Rs.	25,67,522	1,78,885	2,35,249	5,29,140	2,98,947	38,09,743
ii. Tyres, rubber	Rs.	10,52,098	3,35,145	15,455	3,63,350	3,86,932	21,52,980
iii. Tubes, rubber	Rs.	4,47,599	2,22,676	..	1,73,290	5,17,206	13,60,771
iv. Others	Rs.	32,30,571	57,50,775	4,91,406	33,32,037	54,58,329	1,82,63,118
TOTAL	Rs.	72,97,790	64,78,481	7,42,130	43,97,817	66,61,414	2,55,86,612
8. Amount paid to other concerns for work done for factory.	Rs.	19,910	15,389	1,03,170	15,655	8,78,194	10,32,318
9. Production—							
a. Quantity—							
i. Complete Bicycles—							
1. Men's	No.	116,420	46,218	..	43,628	56,363	262,629
2. Women's	No.	1,703	365	..	1,092	..	3,160
3. Children's	No.	2,204	..	..	..	..	2,204
TOTAL	No.	120,327	46,583	..	44,720	56,363	267,993
ii. Tricycles	No.	12,609	13,937	2,734	..	841	30,121
b. Value—							
i. Complete Bicycles—							
1. Men's	Rs.	1,52,14,042	79,91,930	..	64,13,316	92,69,824	3,88,89,112
2. Women's	Rs.	1,99,677	65,825	..	1,61,524	..	4,27,026
3. Children's	Rs.	2,58,419	..	..	..	..	2,58,419
TOTAL	Rs.	1,56,72,138	80,57,755	..	65,74,840	92,69,824	3,95,74,557
ii. Tricycles	Rs.	2,86,850	2,50,866	68,350	..	24,142	6,30,208
iii. Spare parts, components, etc.	Rs.	10,23,106	42,63,411	16,52,247	8,04,779	11,63,397	59,06,940
iv. Other products	Rs.	1,19,573	..	..	23,645	2,11,049	3,54,267
TOTAL	Rs.	1,71,01,667	95,72,032	17,20,597	74,03,284	1,06,68,412	4,64,65,972
10. Amount received from others for work done for them.	Rs.	67,128	..	798	1,310	2,002	71,238
11. Value added by manufacture—							
i. Ex-factory value of products and work done for customers	Rs.	1,47,88,532	95,49,844	16,37,238	74,04,274	1,05,07,149	4,38,87,037
ii. Value at factory of materials, fuels, etc., consumed and work done for factory by other concerns (including the value of semi-finished products or finished parts manufactured earlier but consumed during the year)	Rs.	76,29,162	65,79,790	9,91,685	46,40,654	84,17,413	2,82,58,704
iii. Depreciation	Rs.	2,08,466	4,06,406	71,860	97,788	6,57,970	14,42,490
iv. Value added by manufacture [i—(ii+iii)]	Rs.	69,50,904	25,63,648	5,73,693	26,65,832	14,31,766	1,41,85,843

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Economic Progress and Cultural Freedom

THE Conference at Milan, held between 12th and 17th September, on "The Future of Freedom" was notable not merely for the penetrating light that was thrown on some aspects of individual freedom restrained by twentieth century ideologies, but also for the strong accent that was placed on freedoms that are restricted in backward or underdeveloped economies. An immediate result of the intervention of delegates from the East was the recognition that the Congress should devote much more time to the consideration of Asian and African problems. One concrete suggestion made by the Secretary-General, Mr. Nicolas Nabokov, at the end of the Conference was that the Congress of Cultural Freedom should set up a Commission to study and report on problems of freedom in Asia and Africa. This proposal was enthusiastically received.

A statement was made at the Congress on Indian economic progress largely in terms of the views presented in this journal which, while familiar in India, were noticeably novel and even surprising to many delegates from other countries. Indian economic progress, generated, so to speak, entirely from within, was noted as one of the most hopeful extensions of Asian freedom in recent years. The cultural picture is, perhaps, less happy. Indian experience suggests that the task of economic development is likely to be considerably less onerous than has been generally supposed. It does not follow necessarily from

this conclusion that cultural freedom is likely to grow pari passu with economic progress and that there is any close relation between economic progress and cultural growth. In the Communist countries, there has tended, for obvious reasons, to be an inverse relation between economic progress and cultural freedom. All that can be said in democratic countries is that, as primary poverty disappears, the area over which cultural freedom can be extended will expand. There is no guarantee that new cultural activity will immediately appear and one must admit that in South-East Asia, there is some justification for hesitation in ascribing any predominant role to economic forces. Thus Ceylon in per capita national income terms enjoys a standard of living nearly double that of India. No one has contended that Ceylon's contribution to cultural growth has been significant as a consequence.

There are, indeed, in the short period of rapid economic development likely to be forces restricting freedom equal to, or possibly greater than, the forces which operate to expand cultural freedom by the release of the individual mind from the pressure of primary poverty. These forces are three-fold. In the first place, they arise from the predominant position which the State—or what is frequently called the public sector—occupies in current economic development. Secondly, the inadequacy of resources in underdeveloped countries implies inevitably a larger measure of control in the name of planning than in advanced countries, meaning in fact that the concept of the private sector in underdeveloped countries is necessarily more limited in the short period. Finally, there is the political and social framework which tends to give an undue weight to all authority and in certain cases, as, for example, where there is a caste structure of society, to prevent newly acquired economic freedoms from translating themselves into cultural terms.

All these have operated in India in the last few years and it would be difficult to claim that there has been any relation between India's spectacular economic progress and her cultural achievements. Nevertheless, there has been a much greater consciousness of the value of cultural activities. The disappearance of patronage of the arts by Princely Rulers and rich citizens has been more than made good by the new cultural interest of the Central State with its much larger resources. It would appear that the soil is being prepared; the seed, however, has not been tested and it is difficult therefore to be sanguine about the crop. There has, however, unquestionably been more patronage, with Presidential recognition of distinguished artists. Again, the new status of women and of the scheduled castes, although mainly legal in character, are likely in time to generate confidence in the minds of many millions of individuals.

There are only two qualifications to be set on the other side. In India a monolithic philosophy pervades the governing class; there is a quality of sameness with simplicity and even drabness in dress and behaviour. Austerity thus elevated to a virtue has bred some intolerance; and the fact that the Congress Party is likely to win elections for many years and to stay in power has invested this display of austerity with a respectability which is undeserved. Thus, paradoxically, the ruling class reduces the opportunities for cultural talent while providing opportunities, legal and otherwise, for its expansion. The second qualification arises from the concentration of patronage in institutions which, in advanced countries, are not dominated by the State. A State-managed radio system, for example, is probably bad in principle for any country; it is particularly unfortunate in countries where austerity is decreed by a political legend or by the accidents of power. Thus, film music was, for some time, banished from All India Radio because the Minister in charge considered it his duty to educate the public taste according to his individual lights.

An underdeveloped country, by the fact that it contains relatively few people who possess, and are willing to exercise, their economic independence, is particularly susceptible to pressures such as these. This is what makes the link between economics and culture highly significant. In the last analysis, the defences against totalitarian influences in a democratic country must come from courageous individuals capable of awakening a response from considerable numbers of the people. So long as economic backwardness is chronic, the chances are that both a sufficient number of courageous individuals and a responsive following will be lacking. That is certainly the case in most South and South-East Asian countries today. The cure for this situation is not merely legal or social; in the end it must depend on a tradition of individual independence. This makes it necessary that economic progress should be generated as quickly as possible, not as an end in itself, but as an ingredient in the making of a sufficient number of men or women with the will to be free.

This is the condition which makes rapid economic progress so central a need in an underdeveloped economy. It remains true that there is no necessary connection with economic progress and cultural output. But there is certainly a relation between the standard of living and the defences against tyrannical or totalitarian behaviour. The poor can almost always be made to submit more easily than those that are better off. In this negative sense, economic values are supremely necessary for cultural freedom.

Economic progress can, under certain conditions, such as those of India between 1952 and 1955, proceed much more rapidly than classical economics supposes. The fact that economic progress can so proceed implies that underdeveloped societies can acquire a degree of national independence which should be a source of cultural confidence. There is, however, no obvious relation between economic progress and cultural achievement. In the short period, legal and social changes may widen the opportunities for cultural freedom far more than economic advance. On the other hand, since in underdeveloped countries, power tends to accrue unduly to particular individuals, who then exercise their power with all the resources of the State, there is a tendency for a monolithic character to be communicated to cultural as well as to every kind of thought. There is only one defence against this encroachment; it is the courage and independence of individual men and women. That courage and that independence are largely functions of economic conditions. In a underdeveloped economy, economic progress is imbued with a character far more important than in a relatively advanced society; it becomes a pillar of freedom.

Guileless GATT

THE Minister for Commerce and Industry gave a clear exposition in the Lok Sabha of the important revisions made in the GATT at the last session of the Contracting Parties in Geneva. The Indian delegation deserves credit for having successfully pressed for two significant amendments. Firstly, it was desired that underdeveloped countries like India should be enabled to use quantitative restrictions on imports in order to fulfil their programme of economic development and to assist the development of particular industries; secondly, sufficient flexibility regarding the bound rates of tariffs was sought to enable underdeveloped countries to make changes as and when new industries developed. It is gratifying to know that during the review session, India's points found strong favour with not only all underdeveloped countries, but also with the more advanced countries. As a result, the GATT has undergone certain major changes. India's stand on the two issues, stated above, was based on a realistic appraisal of the state of its economy without impinging upon the fundamental principles underlying the GATT.

The need to encourage and facilitate the development of the economies of countries which can only support low standards of living and are in the early stages of development is consistent with the long-term objectives of the General Agreement. Steps were taken in the review to reduce to a minimum the conflict which may arise between the requirements of economic development and the short-term commercial interests of the other countries. Under the new provisions it has been recognised that contracting parties in the early stages of development should enjoy additional facilities to enable them to maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection; and to apply quantitative restrictions on imports to protect their balance of payments. The latter takes full account of the continued high level of demand for imports likely to be generated by their programmes of economic development.

The White Paper placed before Parliament contains a full and factual analysis of the various amendments effected—which prove that India's commitments under the GATT do not tie its hands too rigidly and regardless of consequences. Two notable Articles, namely, 18 and 28, which have been revised, recognise that, in order to safeguard their external financial position and to ensure a level of reserves adequate for the implementation of their development programmes, underdeveloped countries may control the general level of their imports by restricting the quantity or value of merchandise permitted to be imported. They also make tariff changes possible with greater flexibility. It must, however, be recognised in this connection that quota restrictions should not be made a permanent feature of India's economy. It is a kind of protection which has both merits and disadvantages; and it has to be fully justified and removed at the earliest opportunity. Industrial development will be inhibited to the extent it will curb incentive to improve quality and take away the urge to reduce costs. Yet quantitative restrictions are unavoidable where consumer preference is against the locally produced article. The Minister for Commerce and Industry has been certainly finding a few items every half-year on which quota restrictions are taken away. The removal of import restrictions on textiles has not resulted in dumping or in upsetting the balance of payments.

Mr. Krishnamachari had little difficulty in refuting allegations that India stands more to lose than to gain from its adherence to the Agreement. There is no basis for the apprehension expressed that India is too rigidly bound by GATT. Under the revised Article 28, an underdeveloped country can negotiate for a change in tariff bindings at any time; there is no need for India to offer a concession which is more than legitimate or more than it can afford. When a country withdraws a concession without an agreement with the other parties affected, the latter also will have the corresponding freedom to withdraw their equivalent concessions. Also, nothing prevents India from withdrawing its concessions unilaterally, if it so chooses, at the expiry of the bindings in three years. The point to be borne in mind is that the GATT is "more or less an agreement between members of an international club", and hence no punitive provisions are attached to any breach of this agreement except that corresponding concessions can be withheld.

GATT is neither an impediment to State trading nor an obstacle to trading with non-GATT countries. India has been trading even with countries outside the GATT, such as China and Russia. Article 17 provides specifically that even State trading should have regard for the principles of non-discrimination, and there is the case of Czechoslovakia (the only Communist member of the GATT) whose entire foreign trade is carried on by the State. Likewise, nothing prevents India from having State trading with any country. Under the revised Article 16, which states that export subsidies are harmful and should be avoided, subsidies on primary products should not result in any country having more than an equitable share of the world trade in those products and no new subsidy in other products may now be given by any country.

India has taken a realistic attitude in opposing the demand made by certain GATT members, such as Britain, for a close link between the I.M.F. and the GATT. Should the proposed Organisation for Trade Co-operation succeed, it will be the element of co-operation rather than the element of compulsion that will help it. What really gives GATT strength is not sanctions which are provided in the Articles but the opportunity for exchange of ideas. So long as the organisational structure of the GATT is based on co-operation, the link between this organisation and the I.M.F. cannot carry any more sanctions than what the proposed O.T.C. will possess. It is also noteworthy that there is a heavily weighted vote in the I.M.F. to one country which is interested in getting rid of quantitative restrictions.

The Bombay Land Bill

BY introducing in the Legislative Assembly the "Land-to-the-Tiller" Bill, the Bombay Government has raised a hornets' nest around its ears. Opposition to the Bill was, of course, expected from landowners, for reasons which are not difficult to understand. Communists and Praja-Socialists have started the political game to dub it as a tame, pro-landlord piece of legislation, while Congress members from Karnatak threatened not to extend their support to it, although for quite a different and valid set of reasons. Their contention was that, if Karnatak were merged with Mysore as a result of the reorganisation of States, agriculturists in that area would be penalised, since the ceiling on land has been fixed at 136 acres in Mysore against only 48 acres proposed under the Bombay Bill. The reasoning behind their opposition has brought forth an assurance from the Government that the Bill would not be made applicable to their region in the event of a decision to merge it with some other State.

Meanwhile, an official amendment has been tabled which would enable landowners to cultivate personally 96 acres, thus meeting partially the demand of the Karnatak group. The Select Committee, it may be remembered, had laid down that the entire area under personal cultivation must be situated in a single village, or within a radius of five miles or it must form a complete block. The amendment seeks to drop these three restrictions, provided the area of land for personal cultivation in these circumstances is not double the ceiling area. The Bombay Government claims credit for fixing, for the first time in the statute, a ceiling on land. The prescribed maxima are 48 acres of "jiriyat" land, or 24 acres of seasonally irrigated land or paddy or rice land, or 12 acres of perennially irrigated land per tenant. An economic holding has been defined as consisting of at least 16 acres of "jiriyat" land or 8 acres of seasonally irrigated land.

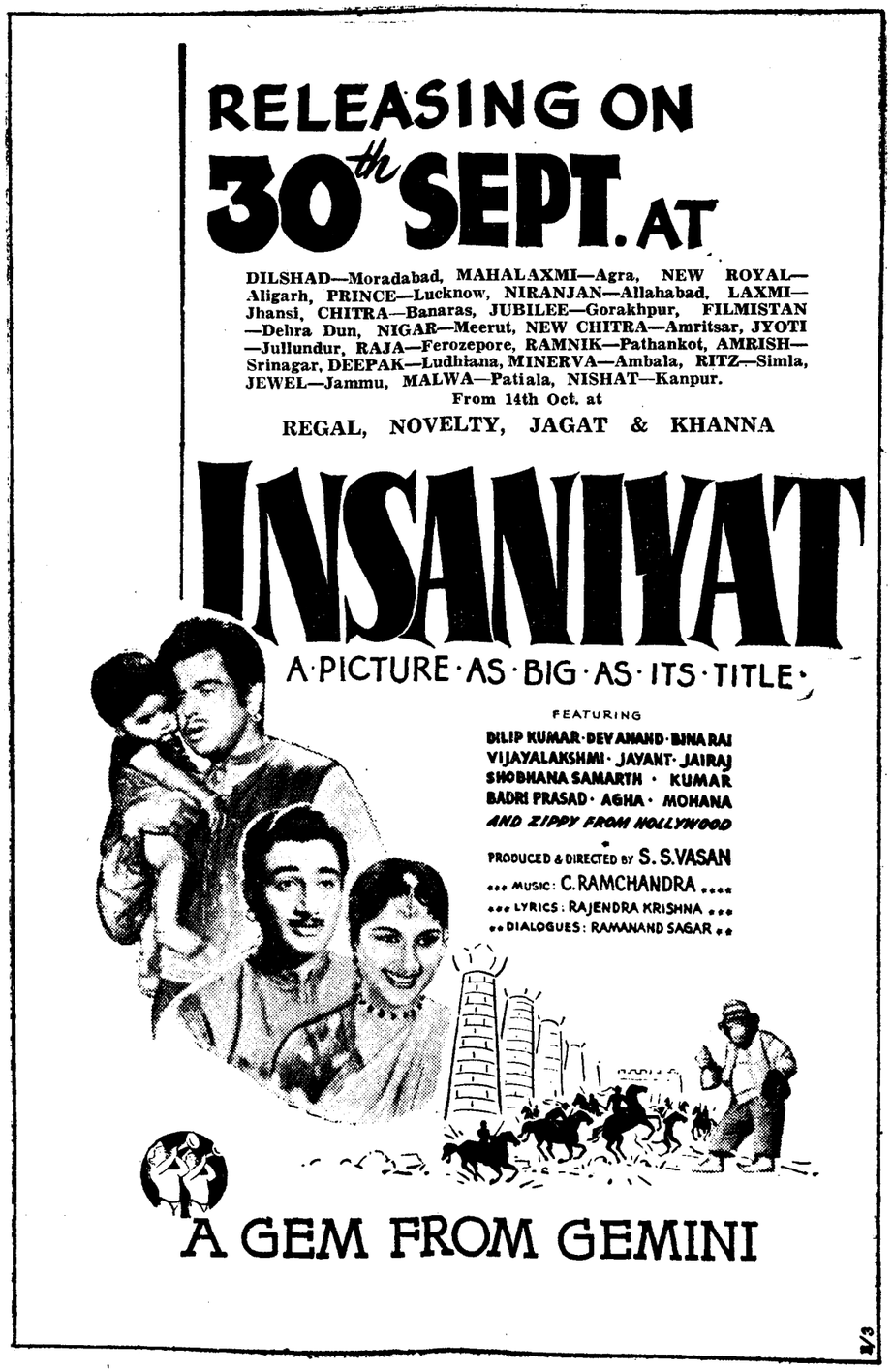
The vexed issue of purchase price has undergone some radical changes with the emergence of the Bill from the Select Committee. The price to be paid by permanent tenants now stands at only six times the rent as against 30 to 100 times the annual assessment that had been provided originally. In the case of sub-tenants, it has been reduced to 20 to 200 times from 50 to 200 times. In view of the tiller's lack of resources to buy the rights of ownership, the time limit during which payment has to be completed by him has been raised. The permanent tenant is required to pay the price in one instalment within a year of purchase, while other tenants including sub-tenants are allowed to pay the price in twelve, instead of only ten, instalments, as had been visualised earlier. It is easy enough to fix a purchase price and a time limit for payment. But it cannot solve the root problem of the peasant's gross inadequacy of resources to pay.

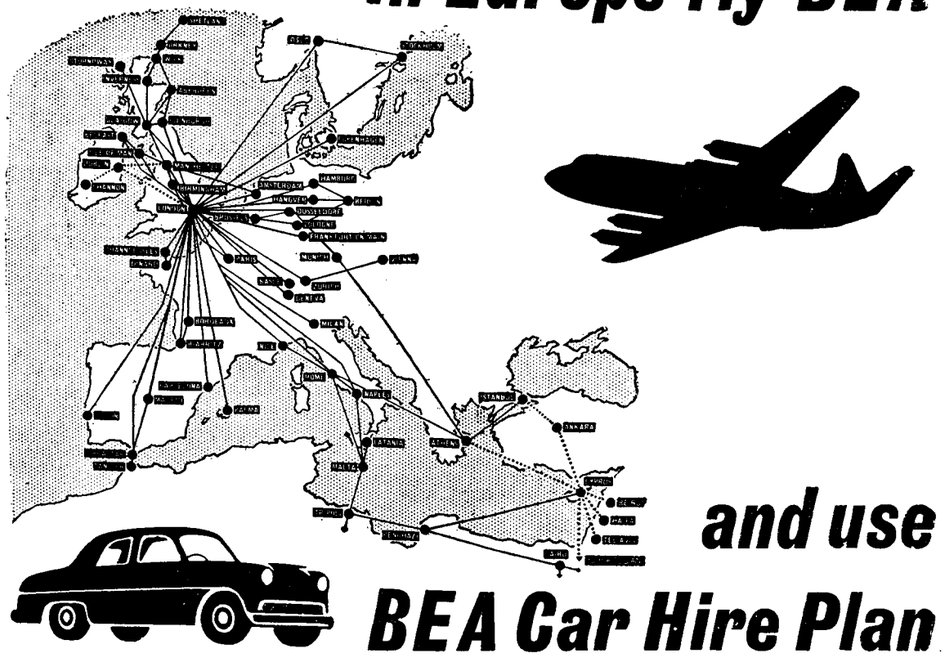
The response to the Act of 1948 on this issue has been very poor and so far only two per cent of the total number of tenants have bought land. This poor response may be attributed to the following factors: absence of any adequate provisions for financing such purchases; fear of retaliation, as the Ryotwari landowing class has considerable economic power and political influence; low rent—one-sixth of the total produce—which does not make it worth while for the tenant to buy the land already in his possession on lease; the fear that the interest on investment might amount to a higher sum than even the legal rent. These factors have been aggravated by the recent decline in agricultural prices which has caused serious weakening of the peasant's financial position. The best course, in these circumstances, would, therefore, seem to be for the State itself to pay the landlords in the first instance, in cash or in negotiable bonds, and then to recover the amount, later on, in easy instalments from the tenants.

The statistics published by the Bombay Government clearly indicate that the distribution of land in the State, as at present, is quite uneven, as evidenced by the fact that 0.5 per cent of the landholders hold 10 per cent of the entire occupied land, 16 per cent half of it and 75 per cent about 40 per cent. This shows a marked concentration of land in the hands of a comparatively small number of holders, and in a country where land hunger is high and every citizen demands a stake in economic development, the case for equating the ceiling limit with the size of the economic holdings is admittedly strong and persistent.

It is unsafe to draw up a comprehensive programme for land reform without knowing who owns the land, who works it, in what quantities, and under what terms. For India as a whole, these data have never been collected. Even the Bombay Government has ordered collection of statistics and introduction of records only now and that essentially for the proper enforcement of the legislation. The first Five-Year Plan has particularly emphasised the significance of a census of landholdings for the formulation of a land reform policy. In fact, the Planning Commission stressed that the completion of the work on the land census was a vital stage in each State in carrying out the policy for limiting holdings. This was taken to mean that imposition of ceilings could be deferred until after the completion of the land census. What has been done in this direction in recent years can scarcely be called a nationwide census of landholdings. Bombay, like other States, has prepared returns from the "patwar" papers. But these data will be of limited use. Based on the faulty village records and the defective January 1954 schedules, prepared jointly by the Ministry of Agriculture and the Planning Commission, they may, besides being inaccurate, also prove to be misleading.

The immediate problems relate to better tenancy legislation, reduction of rents, stoppage of evictions, ceiling on holdings, moratoria on debts pending the stabilisation of agricultural prices, and improvement in the administrative machinery, especially at the village level. But India's land problems do not end there. With the rapid increase in population and in the face of non-agricultural avenues of employment, there is a constant addition to the number of unemployed agricultural labourers from time to time. Schemes of land reform will have to be made more broad-based to absorb these additions.





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THE WEEK'S NOTES

THE END OF A DICTATOR

THE ARGENTINE uprising of September 16, which resulted in the fall and exile of General Peron, has thrown up a combination of Catholic influence and the army to rule over Argentina. After a fairly long spell of General Peron's absolute rule, overthrown in a spectacular manner, it may not be easy to get things back to normal in a short period. But much will depend on how the new rulers intend to proceed and whether they will succeed in winning the confidence of the trade unions, which have always been centres of influence in favour of the ex-dictator. It is not surprising that, even with such powerful backing, General Peron could not withstand the onslaught of his enemies. In the death of his wife, General Peron had lost a vigorous instrument of propaganda and, indeed, some of his judgment. In a country which is still largely religious, he antagonised the Church and, by his Peronista purges, lost the loyalty of his air-force and navy which he had built into one of the finest in the world. The rebels also had the support of the big land-owners whose fabulous wealth and privileges had been curbed in his regime. All of which only proves that a dictator miscalculates at some point and invites ruin on himself.

With all the faults of a dictatorship—the forcible closing down of the world-famous liberal newspaper "La Prensa' stands out as a remarkable instance—General Peron had introduced many reforms to remedy some popular discontents. His labour welfare schemes and the encouragement of trade unions had won him the affection and loyalty of the overwhelming sections of the labour force, though he often used them for political ends. Even his separation of the Church and the State, though executed in a clumsy manner, was a reform desired and attempted by many liberal parties. If the new Government of General Lonardi, largely dominated, at the present time, by men known for conservative leanings, introduces retrograde measures inspired by zealous religious influences it is very likely that Argentina will have to experience further trouble and chaos. There are already indications that though Peron had been ousted, Peronism is not totally annihilated. With the assurance of safe conduct given him by the new rulers, it is quite possible that even from afar, the fallen dictator will bide his time and make all efforts to exploit the slightest weakness in the new regime.

THE ONE-UNIT BILL

THE MANNER in which the authorities in Pakistan had set about the task of welding West Pakistan into a single administrative unit had left no one in doubt about the inevitable result. With the adoption by the Constituent Assembly of the vital and highly controversial Clause 2 of the One-Unit Bill, the passage of the entire Bill is now only a question of time. Within the Assembly, the opposition of the disgruntled Awami League, which, during its leader Mr. Suhrawardy's tenure of office had indirectly supported the idea, cannot be regarded as anything more than opportunistic. Outside, however, the resistance against the imposition of the measure on the people without first ascertaining their wishes has been fairly widespread. The sponsors have conceded that people of 'special areas', which include some of the most backward areas of the country, will be consulted before altering their boundaries or merging them with any other part. In what manner they will be consulted is not yet known. Nevertheless, it is surprising that the same principle could not be extended in the case of the politically more conscious people who would be able better to judge the implications of the scheme.

The Provincial Assemblies, which mainly elected the Constituent Assembly members of West Pakistan, had come into existence when the one-unit idea had not yet been mooted. It cannot, therefore, be held that the Constituent Assembly has a mandate of the people on this particular issue. It may be that the opposition has lost the battle inside the House, but it cannot be maintained that the authorities have won the confidence of the general people who have been against the merger scheme. The arrest of popular leaders like Khan Abdul Ghaffar Khan may silence the opposition temporarily, but it can hardly solve the problem for all time.

ABOLITION OF THE APPELLATE TRIBUNAL

IT WAS with the laudable object of bringing about uniformity in labour awards and removing anomalies in legal decisions which affected establishments situated in more than one State, that the Government of India enacted the Industrial Disputes (Appellate Tribunal) Act in 1950. This Act is now sought to be repealed by the same Government in response to the frequent demand made by organisations as well as spokesmen of labour on the suspicion that an Appellate Tribunal has a pro-employer bias and that in any case it is expensive to have an appeal and troublesome to argue larger legal points before it.

The Industrial Disputes (Amendment and Miscellaneous Provisions) Bill, introduced in the Lok Sabha on September 21, contemplates the setting up of three types of original tribunals, namely, labour courts, industrial tribunals and national tribunals, manned by personnel of "appropriate qualifications". References to the national tribunals will be made by the Central Government, and they will cover disputes which involve questions of national importance or which are of such a nature that establishments situated in more than one State are likely to be interested in, or affected by, the disputes. Nevertheless, the abolition of the Appellate Tribunal is bound to affect the prestige attached to labour awards; further, there is no guarantee that the decisions of the proposed national tribunals will create greater satisfaction or confidence than those of the Tribunal which is now being given short shrift. No single labour award can ever hope to satisfy both the employer and the employee, and the Government should not have so easily yielded to pressure from one side.

On account of the establishment of labour courts and national tribunals, there may be an additional expenditure of about Rs. 1½ lakhs per annum. But it is claimed that, on account of the abolition of the Appellate Tribunal, there is likely to be a saving of Rs. 5½ lakhs per annum. The present Appellate Tribunal will continue to function till it disposes of the pending appeals before it.

THE THAW AND THE ASSEMBLY

SELDOM HAS the U.S. Secretary of State expressed so much optimism over international affairs as he did in his address to the current session of the U.N. General Assembly. In the course of his speech, Mr. Dulles said that the good results achieved at the 'Summit' talks in Geneva must be extended to bring in peace and progress, and the next decade should see the countries of the world renounce war and turn to 'orderly evolution'. There is more of hope in this than expectation. But it was not so usual for Mr. Dulles to express hope without any mental reservations. On specific issues, Mr. Dulles spoke in general terms which may indicate that he was avoiding being drawn into any commitment

which could have some bearing on the forthcoming Foreign Ministers' meeting in Geneva.

On the other side, M Molotov was equally soft but firm in presenting the Russian viewpoints. He stressed the need for the removal of "the threat of a new war, achievement of security in the morrow and creation of conditions for a peaceful and tranquil life for people throughout the world". Among the more important problems, the Assembly will have to face the questions of new admissions to the U.N. and the revision of the Charter. The former should prove more easy now. The admission of Communist China is getting increasingly important and it is held that such a step, if taken without any further delay, should help eliminate many differences. There is also a desire in some quarters that Asian and African nations should be allowed more representation, particularly in the Security Council. So far as the China question remains unsolved, these nations will not regard such proposals as useful in themselves. Generally, the Asian and African countries have recognized the need for seating China in its rightful place. A subject of hopeful discussion is that of disarmament. The progress the Big Four Foreign Ministers make in Geneva in the next month will, therefore, be watched with interest.

AFTER ADENAUER—EAST GERMANY

WHILE THE West German Cabinet was still discussing the Moscow Agreement, a pact was signed in the Kremlin by which East Germany obtains full sovereign rights over her internal and external affairs, including the right directly to discuss with Bonn the intricate and important issue of the reunification of the two zones. It is not difficult to see in this a subtle move on the part of the Soviets to create conditions for the perpetual partition of Germany, unless she is unified on terms favourable to the Russians. Broadly these terms are the abandonment of West German rearmament, withdrawal of the Federal Government from the NATO and the evacuation of Allied troops from all Germany. But the Western Powers know it too well that these steps are bound to shake the present balance of power in Europe.

There is no conclusive evidence to denote any important change in the basic Russian policy. Mr. Khrushchev's warning that the present Russian smile should not be mistaken for a tendency to retreat from the policy of Marx and Lenin makes it clear that, whereas ends remain the same—extending Communism—there is only a change in the means adopted to achieve the ends. The recent Soviet gestures of co-existence, like the decision to evacuate the Porkkala naval base in Finland, which has probably been rendered redundant by the nuclear age or by the current thaw, are shrewd manoeuvres to win popular support for the Russian demand for withdrawal of all foreign forces from the continent which, in other words, implies the liquidation of the NATO system. Similarly, the Russian recognition of West Germany—which has been hailed as a great victory in the West—almost simultaneously with that of East Germany, has created a bewildering position for Dr. Adenauer. How long he will be able to persuade his people to resist the temptation of unification through direct negotiations with their Eastern brethren remains to be seen.

AID TO SOUTH-EAST ASIA

INDIA'S OFFER of economic and other aids to Laos and Burma is a practical step towards developing closer and stronger bonds among friendly countries in the East Asian region. For Laos, which is an underdeveloped country in many respects, technical assistance from India will have great value. Her difficulties have been aggravated by recent troubles and it has not been possible so far to implement the Geneva Agreement on Laos, which is essential for its unity and independence. At the present time, the main difficulty is the intransigence of the Pathet Lao to concede sovereignty and administration in the two northern provinces, under their control, to the Vientiane Government. To prevent any possibility of a disruption of the Agreement, the signatories to the pact should take positive steps towards its implementation.

Burma has been given a loan of Rs. 10 crores and a credit of equal amount for purchases in India, which normally do not exceed Rs. 15 crores a year. It is known that Burma has been experiencing a difficult financial position for some years. Despite past experience, when India had practically to find a formula to write off her loan to Burma, and purchase large stocks of rice from her to prevent a slump in rice prices, India has thought it necessary to advance another substantial loan. The widespread floods in this country have not affected the food position to any alarming extent, and India may not need to import much rice from Burma. This is not a transaction to be assessed on the credit-worthiness in commercial terms of the borrower. It is a recognition of the common stake in the stability—economic and political—of Burma.

INTEGRAL COACH FACTORY

THE PUBLIC and no less the Government itself have cause to feel particularly gratified at the fact that, unlike the disappointing State enterprises at Jalahalli and Ambernath, the work on the Perambur Integral Coach Factory has been executed within the scheduled time and that the Prime Minister will formally inaugurate the factory's opening ceremony on October 2. Since June 1951, when the headquarters for this project were set up in Madras, work connected with this largest factory of its kind in Asia has been progressing steadily, and already over 8,000 tons of steel, 20,000 tons of cement, 12 miles of railway sidings, 15 miles of water supply pipes and 5.5 miles of roads have gone into its making.

Adopted by most of the European railway administrations as an ideal design in modern coach-building, the characteristic feature of the integral coach is that, unlike the conventional type in which the coach body is merely mounted and fixed to a separate steel underframe, it will have its body and underframe integrated into a single unit, all made of steel. Its weight is seven tons lighter than the conventional 42-ton coach, and it will afford greater protection to passengers as it is built with anti-telescopic device. The factory is a product of Indo-Swiss co-operation in the technical field. As a result of an agreement between the Government of India and the Swiss Car and Elevator Manufacturing Corporation Ltd., the latter is providing the technical know-how, including specialised personnel and full facilities for training. It is noteworthy that the payment of basic fees by the Government of India to the Swiss Company for its technical collaboration is made contingent on the Perambur factory achieving production targets as embodied in the Agreement.

In the first year of its working, the factory is expected to turn out 20 coaches with components imported from Switzerland. Thereafter, an increasingly large proportion of Indian-made components will be used. During 1959-60, the fifth year of production, the target of 350 coaches will be reached, with parts and components manufactured completely in the factory itself. When completed, the total cost of the project is estimated at Rs. 7.35 crores. The factory will also provide considerable scope for certain ancillary industries—such as rubber, aluminium and chemicals—to flourish.

A Window on the World

NEWS FROM SOVIET SOURCES

BY

ODYSSEUS

A READER CHALLENGES ME: "In recent weeks," he writes, "you have made statements of fact about what goes on in the USSR for which you would have difficulty in producing evidence that would be accepted in a court of law. What, for example, was your authority for asserting that the Soviets, while ostensibly encouraging the use of local languages, are in fact subtly undermining them by Russifying their grammar and vocabularies in text-books used in centrally controlled schools? What, again, is your authority for stating that the Soviets have in fact reduced their armed forces by 640,000 men? What check exists on the truth of the official Soviet announcement of this reduction? Has the reduction already taken place? When did it begin? When end? How can anyone know for sure what is going on behind the Iron (or Bamboo) curtain?"

These are legitimate questions.

It must be admitted that it is impossible to make statements of fact about conditions and events in the USSR with the same confidence that statements can be made about life in India and the rest of the democracies. It would be impossible for the British or the Americans to fake the figures of the numbers of men that they have demobilised from their armed forces. Any newspaper editor with a reference library or a staff of reporters could check up in a score of ways. The strength and whereabouts of troop formations are public property in Britain and America and he could soon ascertain whether the officially claimed reduction tallied with the strength of the units in being. In the last resort, he could get his local reporters to go round and check numbers by actual inspection and counting. Any newspaper man can enter any Western training centre with the minimum of formalities and see for himself what is going on. Since the peak of the Korean war, the US forces are officially stated to have been reduced by 750,000. The cost of maintaining a man in one of the armies of the democracies is published; it is not an official secret; and the appropriate sections of the American budget must go down by a figure corresponding to the departed 750,000. If the budget were not to show any decrease, a score of excited Opposition Congressmen and reporters would want to know why. It would not be possible to fake the public accounts of the Western democracies because the secret could not be kept. Hundreds of civil servants in scores of departments would have to be let in on the secret, and equally hundreds of members of parliament, journalists, and economists, who make it their business to study budget figures, would have to be bribed or hoodwinked. But perhaps the most convincing proof of the confidence placed in the figures published about Western disarmament is that the Soviets do not question them!

I WAS A SPY IN LAHORE

But in the USSR, there is, on the one hand, no searching and vigilant Opposition organised on the scale that exists in the democracies, and, on the other, there is a traditionally accepted policy of secrecy which it is extremely dangerous for the individual citizen to try to penetrate. One of the reasons for the innumerable allegations of anti-Soviet spying made against Western newspaper men, and others, has been that, without infringing the Soviet laws against spying, it is virtually impossible for a correspondent to carry out the simplest kind of serious investigation in the USSR of a type that a reporter is at liberty to carry out as a matter of routine in the West or in India. I remember, for example, when I was in Lahore before partition, I heard that a soldier had shot another in a cafe. The army authorities would give me no information and were trying to hush the incident up. Since, however, they were insistent that nobody had been killed, I reasoned that whoever was the victim of the crime or the accident must be in the military hospital. So without mentioning my next move to the authorities, I thanked them politely for their non-co-operation and set out for the hospital. Within an hour, I was talking to the wounded man who told me the whole story. (It was incidentally an accident and why the authorities were so mysterious about it is understandable by the official mind alone). It is doubtful that I could have wandered into the ward of a Soviet military hospital, and it is certain that if I had published in the USSR a story the facts of which had just been officially withheld from me, I should not now have been looking out on the world from a window in "The Eastern Economist" but from a gaol in Siberia.

Nevertheless, a good deal of information can be gleaned even by a study of officially approved statements and news in the Soviet press. The study of Soviet publications goes on all the time in every Ministry of Foreign Affairs but the results are of course primarily for the use of the government and are not made systematically available to the public.

To meet this want, there has recently come into being an admirable institution called the Central Asian Research Centre at 66 King's Road, London, SW. 3., run in conjunction with the Soviet affairs study group of St. Antony's College, Oxford, and financed by university funds. The Central Asian Research Centre is directed by Lt.-Colonel Geoffrey Wheeler (sometime of the Indian army), among whose varied accomplishments is a thorough knowledge not only of Russian but of Persian and Urdu. The facts that I recently gave about conditions in the USSR were taken from the columns of his "Central Asian Review" (price Rs. 5 a quarter) which is compiled entirely from official Soviet sources. Colonel Wheeler points out that all reports that emerge from the USSR are apt to be biased, whether they emanate from foreign correspondents, tourists, or from Soviet sources. Soviet officials often hide, or try to hide, facts but since their ideas of what should not be hidden vary, it is possible by cumulative study of Soviet publications over a period to re-construct something like a coherent picture of the truth, and, unlike returned travellers or foreign correspondents, the Soviet authorities have access to all or most of the facts, so Colonel Wheeler reasonably suggests that a source that has access to the facts is potentially more useful than one which has not. Soviet reporting of current developments is not confined to favourable news but includes much about the difficulties with which official policy is struggling and particularly about the opposition to it that is still encountered. After all, for example, if you denounce a saboteur, you reveal the existence of sabotage.

DOCTORS IN THE USSR AND IN BRITAIN

The "Central Asian Review" collects information about industry, agriculture, communications, public services, and cultural affairs, and it publishes many maps and pictures (all taken from Soviet sources), which make it cheap at Rs. 5. The sources are cited in each case and comment is reduced to the minimum necessary to render the facts intelligible. The "Central Asian Review" makes fascinating reading and is of interest not merely to the specialist student of Soviet affairs but prompts reflection on Socialist practice and comparison with countries outside the iron curtain. I have space left to cite only one example.

The Review quotes Soviet publications to show that there is much criticism of the Soviet health services. The Kirgiz Ministry is said to have issued 22,000 different directives in 1953, but neither the Minister nor other officials visited the districts to see what was going on. Doctors are overworked owing to the shortage of medical men and are tempted to take on too much. For example, Dr. U.R. Mullovandov of the Stalinbad children's hospital was charged in July, 1954, with serious offences. He worked not only at the hospital but also at the Tadzhik Council for Industrial Insurance, taught in two medical schools, and was a district doctor. He had no time to visit patients. He demanded bribes before sending a patient to hospital.

This glimpse of the Soviet National Health Service at work illustrates once more the extraordinary Socialist belief that the moment that any human activity is run by the state (i.e. by masses of civil servants), all selfish motives vanish. Neither Soviet nor British experience bears this out. In Britain, when doctors attended only those who paid them, they usually charged nominal fees to poor patients, often waited long periods for their fees, and charged the rich correspondingly more. A doctor was spurred by the feeling that he had to retain the confidence of each of his patients if he were to continue to earn his living, but at the same time this feeling was generally subordinate to his professional interest in his patients' well-being. The remarkable fact that emerges from the experience of the British National Health Service is that the patient suffers from the weakening of the personal relationship. Patients are now seen impersonally in accordance with regulations and are paid for by the state. With a free service, doctors are consulted more often and on more trivial matters, so they are over-worked. The average British doctor earns more today and feels more secure than he did when patients were fewer and competition for them was keen. Today, a patient is no longer an individual but a man in a queue, with a reference number, to be card indexed as quickly as possible to make room for the next man.

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NOTICE is hereby given that an Interim Dividend at the rate of 2¾ per cent., less Indian Income-tax thereon, will be paid to the Registered holders as on the 12th October, 1955, of the 50,000 Cumulative Preference Shares of Rs. 100 each in the Company in respect of the year ending 31st March, 1956.

The Share Transfer Books of the Preference Shares will be closed from the 5th October, 1955, to the 12th October, 1955, both days inclusive.

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D. SMALLEY,
Actg. Secretary.

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PAKISTAN INTERNATIONAL AIRLINES

PIA/G/12

Economic Report from the U. S.

IKE'S ILLNESS SICKENS STOCK MARKET

(By Guy Sims Fitch)

NEW YORK Sept. 27.—When the September 26, issue of the Newspaper "Journal of Commerce" hit the headlines on Monday morning, it contained a leading story keyed as follows: "The stock market will be watched this week for its response to the news over the week-end of the President's illness." By the close of business Monday evening, the New York stock exchange had experienced its sharpest one-day break in prices since October, 1929, as the industrial average fell 6.54 per cent. But while the news of the President's illness in Denver served momentarily to upset the stock market, it has not shaken the confidence of Americans—business men or consumers—in the economic outlook of the United States.

To understand this apparent paradox, it is necessary to take a look behind the scenes. As the Journal of Commerce hinted, the stock market break was not entirely unexpected The .so-called "Bill Market," characterized by rising stock prices, has been in force for some six years. Industrial stock prices had advanced 20 per cent since the beginning of 1955, with half the rise occurring during the past six weeks. So sharp an onrush to new historic peaks left the market highly vulnerable to unpleasant surprises and the news from Denver certainly fell in that category. The decline in the U.S. market was foreshadowed by declines in other countries, where exchanges opened earlier because of difference in time. In the United States, selling orders had been pouring in to New York and other cities since the report of the President's heart attack on Saturday. As a result, as the "New York Times" observes, "selling orders were massed for almost every leading stock."

Aggravating the decline set in motion by this selling wave was the fact that many traders had placed advance selling orders at quotations below market levels to protect the profits they had gained in recent months. When these levels were reached, the momentum of the deadline was accelerated. Yet this drop in the market has prompted few doubts about the course of American economic activity. One of the nation's leading investment brokers carefully points out that business in the U.S. will maintain its high level. The market absorbed its losses well. How much more will it have to absorb no one can tell for certain. But there were mild signs of recovery toward the close of the market on Monday. Mutual funds, in particular, started buying up securities at the lower quotations. And Government securities actually gained strength during the day.

The news as of this writing on Tuesday morning indicates that more mild rallies may be at work, with a number of quotations up one to four points. These rallies are attributed in part to the heartening news from Denver about the moderate nature of the President's attack and the improvement in his physical condition. But they also reflect the undimmed confidence in U.S. economic stability. The fact is the stock market now plays a far less important part in American economic thinking than it did a quarter of a century ago. Of the $350,000 million outstanding in private credit, for instance, only 1.3 per cent is accounted for by the stock market. More than two-thirds of all market transactions are made in cash. Significantly, commodity prices have held firm, despite the drop in stock prices. Nor is there any indication that business intends to retrench.

With production, sales, income, and employment in the U.S. all at record rates, business earnings should hold up at least around current levels. Investment in common stocks, therefore, promises to be attractive over the long run—especially since less than half of corporate earnings have been paid out in dividends this year, as business has continued to pour money into expansion and improvement of productive facilities. Even the Conservative American Bankers' Association sees no cause for alarm in the stock market. According to reports from Chicago, where the association is holding its annual convention, the consensus of the nation's financial leaders is that the President's illness may have sparked a needed adjustment in the unusually high stock market.

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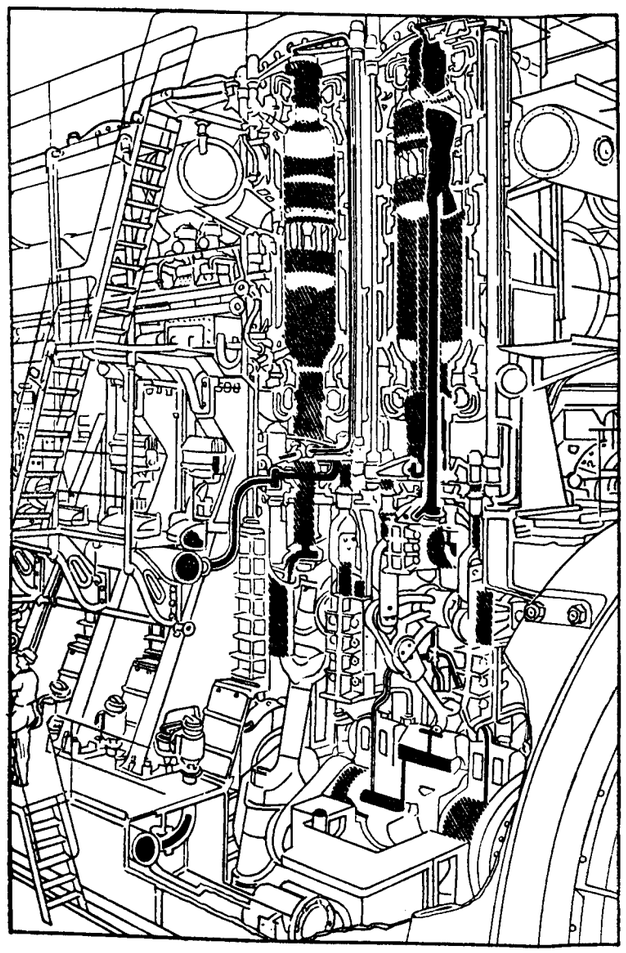
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WORLDGRAM

AGRICULTURE

World Agricultural Output: The world agricultural output, excluding Communist countries was more than 25 per cent greater in 1954 than in 1946-47, but people in large parts of the earth still cannot buy as much food as they need according to the United Nations Food and Agriculture Organisation. A report issued at the FAO headquarters said gains have been unevenly spread and consumption of food per person still remains below the very inadequate pre-war levels in many Far Eastern and some Latin American countries. Preliminary estimates for 1954-54 show that world food output, again excluding Communist countries, for which figures are incomplete, failed for the first time since the war to show any appreciable rise on the previous years. This, the FAO explained was due to less favourable weather in some areas and to acreage reductions in North America. The increase between 1946 and 1954 slightly outweighed population growth since before the war.

*

Colombia,'s Tobacco Crop: The 1955 tobacco harvest in Colombia is estimated at 65 million pounds, almost 16 per cent above the final estimate of 56.2 million pounds for the 1954 harvest. While the acreage for tobacco cultivation was expanded, most of the increase in output is believed to be due to an increase of about 15 per cent in the farm price of leaf tobacco, which became effective in December 1954 as a result of efforts of the recently organised National Tobacco Institute.

*

U.S. Cotton Crop: The Crop Reporting Board of the United States Department of Agriculture in its third crop report of the 1955 season estimates cotton production at 12,873,000 bales, which compares with last month's forecast of 12,728,000 bales and last season's final crop of 13,679,800 bales. The crop condition is placed at 81 per cent while preliminary estimate of area under harvest is 16,514,000 acres and yield per acre 374.0 pounds. The estimated area for harvest indicates an abandonment of 3.4 per cent compared with 3.4 estimated at this time last year, and actual abandonment of 2.7 for 1954.

INDUSTRY

Coal Output in Next Plan: Quotas of additional production of 23.51 million tons of coal during the second Five-Year Plan have been allotted by the Union Government for both the Private and public sectors. The target for the second Plan period is fixed at 60.28 million tons, which is 23.51 million tons above the 1954 production of 36.77 million tons. According to the Government decision, State-owned collieries will be required to produce 15 million tons and the private sector 8.31 million tons over their present raisings. Coalfields in Assam will have to produce 0.2 million tons to meet the additional demand of the consumers in that State. Coalfield-wise, the distribution of the additional production quota is, Raniganj—6.28 million tons—3.6 million tons in public sector and 2.68 million tons in private sector; Jharia—3.50 million tons; Bokaro 0.4 million tons; Karanpura 4.56 million tons—4 million tons in public sector and 0.56 million tons in private sector—; Korba—4 million tons; Korea and Rewa—3.50 million tons—3 million tons in public sector and 0.50 million tons in private sector; and Singareni—1.07 million tons.

*

Output of Iron Ore in July 1955: The estimated total output of iron ore in India, increased to 325,330 tons in July, 1955, from 307,404 tons in June, 1955, according to official statistics released by the Chief Inspector of Mines. Returns received from 66 mines for the month of July, 1955, show despatches totalling 262,691 tons to the iron and steel plants and 40,950 tons to the export market. The reported stocks as at the end of the month amounted to 1,168,501 tons.

*

Coke Oven Plants: There are 9 coke oven plants at present in India. One more coke plant is proposed to be set up at Durgapur by the West Bengal Government at an estimated cost of about Rs. 5.25 crores. Each of the new Steel plants will have a coke plant attached to it.

*

Jute Mills in India: The consumption of raw jute per month on the basis of the present production was estimated to be about 5.3 lakh bales of 400 lbs each. There were 113 mills which were actually working at present and the stocks of raw jute with the mills on March 31, 1955, were reported to be 14 lakh bales.

*

National Instruments Factory: The workshop foundry, carpentry and smithy blocks of the National Instruments factory are expected to be ready by December this year. The remaining buildings are expected to be completed by August next year. The total cost of the new factory is estimated at about Rs. 71 lakhs The expenditure so far incurred on buildings was about Rs. 18.57 lakhs and on machinery about 6.25 lakhs. It was proposed to start shifting the factory to the new buildings early next year. The shifting is expected to be completed by March, 1957.

*

U.K.'s Record Steel Output: British steel production in August averaged 345,100 tons a week—a record for the month—compared with the weekly average of 325,600 tons a year earlier. The weekly average for August—when production was affected by holidays—compared with an average of 307,700 tons in July and 364,200 tons in June. Production was running last month at an annual rate of 17,946,000 tons, compared with the rate of 16,932,000 tons a year earlier. Pig-iron output also rose in August. The weekly average was 236,200 tons, compared with an average of 230,800 tons in July and 227,400 tons in August last year. Annual production of pig-iron was running last month at the rate of 12,282,000 tons, against the rate of 11,823,000 tons 12 months earlier.

TRADE

Export of Bicycles: The Minister for Commerce D. P. Karmarkar said in the Lok Sabha that the export of bicycles was allowed freely without any control and manufacturers were allowed a drawback of $\frac{7}{8}$th of the import duty paid on certain materials used in the manufacture of bicycles for export. The proposed Export Promotion Council for engineering goods, which would be set up very soon, would also devise ways and means for promoting exports of cycles.

*

More Cotton for Export: The Government of India decided to release for export a further quantity of 250,000 bales of Indian cotton with immediate effect. The announcement said that out of the total permissible exports of cotton, two lakh bales would consist of all varieties of Indian cotton of staple length of $\frac{3}{4}$ inches and below, except Bengal Deshi and Red Coconadas, 25,000 bales of Indian cotton of all varieties of staple length of 25 to 32 inches and 25,000 bales of Bengal Deshi. Licences granted for the export of cotton, the announcement said, would be valid for shipment only

up to the end of December, 1955. It said the Government had also decided that export of zoda cotton, Yellow Pickings, Pickings and Sweepings should hence forward be licensed freely. The release of 250,000 bales of cotton for export brings the total cotton shipped out of India so far to seven lakh bales.

*

Sharp Rise in Coal Exports: Coal shipments from Calcutta rose sharply to 174,906 tons during last month compared with 132,666 tons in July. While coastal shipments rose from 54,343 tons in July, 1955, to 99,011 tons during the month under review, exports to foreign countries declined from 78,323 tons to 75,895 tons. A daily average of 257 wagons was allotted for shipment traffic during August, against 203 wagons in the previous month. Actual dispatches to Pakistan in July were placed a 74,362 tons, including 10,305 tons by seas, and those by rail in the next month amounted to 68,714 tons.

*

Export of Tobacco: Sri D. P. Karmarkar, said that stocks of flu cured virginia tobacco in Andhra, particularly in the Guntur district which accumulated last year and early this year had more or less cleared. It is understood that there is still some stock in the country (Natu) tobacco and larger stocks of biri tobacco. There had never been any sizable export demand for these varieties but efforts were being made to find new export markets. About the delegation which visited Thailand, Japan, China, Hong Kong and Singapore, the Commerce Minister declared that it had created an interest in China and some other countries in Indian tobacco and actually concluded a contract for the sale of 2,000 tons (about 4½ million lbs) of Virginiia tobacco.

FINANCE

Customs and Excise Revenue in July 1955: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in the Indian Union during July 1955, amounted tc Rs. 1,367 lakhs as compared with Rs. 1,327 lakhs in the corresponding month of the previous year. Of the total customs revenue collections, import duties accounted for Rs. 1,040 lakhs as against Rs. 1,058 lakhs, export duties for Rs. 317 lakhs as against Rs. 244 lakhs and land customs and miscellaneous for Rs. 10 lakhs as against Rs. 25 lakhs. The total gross collection of Union excise duties amounted to Rs. 1,323 lakhs as compared with Rs. 865 lakhs.

*

Finance Corporation's Aid to Industry: The Industrial Finance Corporation has sanctioned loans amounting to Rs. 15,22,50,000 during the last seven years to new undertakings, i.e., factories that went into production after August 15, 1947. Eighty-six application were received by the Corporation from such undertakings. During the same period, 78 applications from old established undertakings had been received by the Corporation. Most of these applications were for renovation, modernisation and expansion. Loans amounting tto Rs. 12,85,25,000 were sanctioned to these undertakings. Since its inception, the Corporation has sanctioned loans amounting to a little over Rs. 28 crores to 125 concerns. Of this amount, a sum of Rs. 14.5 crores has already been disbursed.

*

Issues of Bonus Shares: Government have decided to permit the issue of bonus shares wherever it is considered justified. The Press reports about recent Stock Exchange activities, have been seen by Government and the situation is under Government's constant observation.

Subsidy to Shipping Industry: The Indian shipping industry is not at present receiving any direct subsidy from Government. Indirectly, however, the Indian shipping companies have benefited from the Government loan schemes under which a concessional rate of interest is charged by Government.

*

Income from Estate Duty: The income from estate duty collected by Government in the year 1954-55 has fallen short of expectations. The revised estimate for 1954-55 was Rs. 1.26 crores and a sum of Rs. 85 lakhs had been collected up to the end of the financial year out of a demand of Rs. 1.23 crores raised during the year.

*

Foreign Aid: Out of the one million pound aid offered by the New Zealand Government for the All-India Medical Institute, an instalment of £250,000 only has been received. The aid is under the Colombo Plan and there are no conditions attached to the aid, except that, as usual, it is to be used for the project for which it was made available and expenditure statements are to be sent to the contributing Government periodically.

*

Central Loan to Bombay: The Planning Commission has approved a loan of Rs. 15.02 lakhs to the Bombay Government for payment to the Ahmedabad Municipal Corporation to meet their share of the construction cost of an over bridge in place of an existing level crossing. Similar loans have been sanctioned for other States too.

*

American Aid: The aid authorised by U.S.A. under the Indo-U.S. Technical Co-operation Programme between 1951-52 and 1954-55 (including Development Assistance) amounts to $244 million (Rs. 116 crores approximately). The authorised aid has been fully availed of and Operational Agreements have been entered into committing all the funds made available for expenditure on agreed projects.

*

Separation of Accounts from Audit: The Government of West Bengal have separated accounts from audit in two of their Departments with effect from August 1, 1955. The Comptroller and Auditor-General is still in correspondence with the other State Governments.

*

Reserve Bank and Universities: The Reserve Bank of India has agreed to endow some Chairs for the study of economic subjects in some Indian Universities; and for Industrial Finance a Chair is being endowed at the Calcutta University. The amount of each endowment is Rs. 25,000 for five years.

MISCELLANEOUS

Education in N.E.F.A.: The following expenditure was incurred on awarding scholarships and stipends to the tribal students of the North N.E.F.A. Agency for their studies in Middle and High Schools and Colleges during the years 1953-54 and 1954-55:

	1953-54	1954-55
(i) Middle schools ..	Rs. 6,480/-	Rs. 10,080/-
(ii) High schools ..	„ 1,800/-	„ 2,100/-
(iii) Colleges ..	„ 3,960/-	„ 2,160/-

The following amount is proposed to be spent on award on scholarships and stipends to the tribal students of the N.E.F.A. during the current year:

(i) Middle Schools ..	Rs. 24,000/-
(ii) High Schools ..	„ 9,000/-
(iii) Colleges ..	„ 1,920/-

NEWS IN BRIEF

INDIAN

The Board of Directors of the National Industrial Development Corporation at a meeting held recently is understood to have approved schemes for industrial development which the N.I.D.C. can take up for processing or investigation. The Board also decided to adopt measures to provide financial assistance for the rehabilitation and modernization of the jute industry.

*

The Government of India had imported 8.54 lakh tons of sugar during 1954-55. The average cost of this sugar worked out to Rs. 22-7-4 per maund.

*

It is reported with a steady rise in the bauxite production and the possibilities of cheap electric energy, India occupies an advantageous position for becoming a centre of aluminium production in South-East Asia.

*

The Indian Standards Institution has issued an Indian standard specification for zinc chloride, battery and technical grades. This standard prescribes the requirements and methods of test for both solid and liquid form of zinc chloride, battery and technical grades.

*

The Minister for Production, Sir K. C. Reddy, informed Lok Sabha that a preliminary proposal for the establishment of an oil refinery at Bhavnagar had been received from an industrialist through the Government of Saurashtra. Messrs. Krebs, a French firm, had offered special technical and financial collaboration in the project.

*

India is expected to import more coal mining machinery in the coming years due to the proposed expansion in the coal output from the present level of about 37 million tons to 60 million tons in 1960-61.

*

The Indian Pepper Trade Association has decided to start forward trading in pepper at Cochin from October 1.

*

The Industrial Finance Corporation during the last seven years, sanctioned loans amounting to a little over Rs. 28 crores to 125 industrial concerns, both old and new according to the seventh annual report of the Corporation. Of this amount Rs. 14.5 crores has already been disbursed.

*

The President has assented to the Madras City Tenants' Protection (Amendment) Bill 1955. The Bill replaces the Madras City Tenants' Protection (Amendment) Ordinance, 1955, with a view to protecting the interests of the tenants.

*

The total quantity of handloom cloth exported to foreign countries in 1954 was 56.1 million yards as compared to 43.6 million yards in 1951.

*

During the first Five-Year Plan period, 3,517 tubewells have so far been drilled in various States. The total sum sanctioned as loan by the Government of India for drilling these tubewells amounted to Rs. 1,017.45 lakhs.

*

A total of 38 Health Centres have so far been opened under the revised Five-Year Plan in the National Extension Service Development Blocks in the various States.

*

It is reported that over half a million acres of land have so far been reclaimed under the Land Reclamation Programme of the Community Projects scheme.

FOREIGN

Two payments totalling $5,500,000—one by the United States and the other by Canada—were made to the United Nations expanded programme of technical assistance recently.

*

The New Zealand Government has contributed $210,000 to UNICEF for 1955, the same amount it gave last year.

*

The Federal Republic of Germany has become the 12th country to ratify an international convention to facilitate the import of commercial samples and advertising material. It will come into force when 15 countries have ratified or acceded to it.

*

It is reported that a seminar for training of the Ministry of Labour officials of the Latin American region in modern methods of labour administration will be held in Lima, Peru, from 24th October to 26th November.

*

Japan has ratified four ILO conventions prescribing conditions of work for seafarers. These are the first maritime labour conventions ratified by Japan since re-entering the ILO after the war. They relate to unemployment, indemnity in case of shipwreck, articles of agreement for seamen, minimum age for employment at sea and medical examination of seafarers.

*

Mexico will get a U.S. $12 million newsprint mill one of the largest in Latin American, under the terms of a construction agreement.

*

The International Monetary Fund has concurred in a proposal by the Government of Nicaragua for a change in the par value of the Cordoba from 5 to 7 Cordobas per U.S. dollar. All official market transactions will be conducted at the new par value of 7 cordobas per U.S. dollar, with the exception of a temporary buying rate of 6.60 cordobas per U.S. dollar for export proceeds.

*

Britain's imports from Pakistan rose in first seven months of this year. The reduction by £10,000,000 in Pakistan cut half the balance favouring Britain to only 1.8 million pounds.

*

The Bank of England has announced that Turkey was admitted to the sterling transferable account area on July 1. Hitherto Turkey had been the only non-dollar country outside the sterling area that had been denied transferability privileges.

*

Costing Rs. 73 crores Mangla Dam Project is the biggest multi-purpose project undertaken by Pakistan. The project with the completion of its first phase in 1960 will make an addition of another area of 30 lakh acres to the present cultivable area of 54 million acres.

*

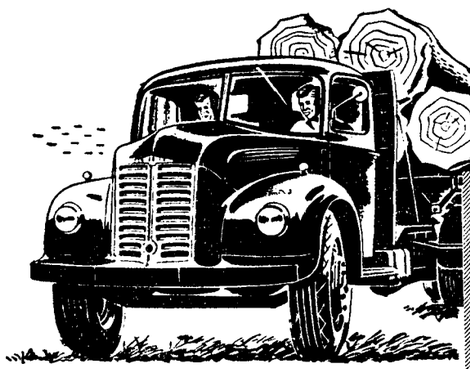
The next annual meeting of the Consultative Committee on economic development in South and South-East Asia is scheduled to be held in Singapore in October, 1955.

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A Letter to the Editor

BUSINESS MEN AND POLITICS

Sir,

The following advice given by Mr. William Benton, Board Chairman of Encyclopaedia Britannica and Muzak Corp., to U.S. business men is very interesting.

> " Get into politics. You owe it to your community and to your country, in a world where politics is increasingly determinant. Traditionally, our business men have avoided and even scorned close participation in political life. They have adopted political attitudes from the viewpoint of their narrow business interests, such as on tariffs or taxes. They have moved in aggressively only where they have a dollar-and-cents stake in franchises, or utility rates, or public contracts. Most have dodged direct and personal political responsibility. They must dodge no longer. They are now desperately needed in big-time politics."
>
> —"Time", September 12, 1955.

I think that above advice equally applies to Indian business men. Indian business men and industrialists have unfortunately not taken any active interest in politics nor have they, with a very few exceptions, participated in politics after Independence. It is true that before Independence our business men and industrialists did take lot of interest in politics and encouraged and financed the Congress party in its fight for freedom. That was all and after freedom was won, they have remained behind without participating in the administration of the country. As a result, many persons who had absolutely no knowledge or experience of administration occupied places of power.

If only a few enlightened and educated business men had entered into active politics immediately after Independence and had held responsible positions in the ruling party and the Government, I think they would have been able to exercise greater and more beneficial influence on the ruling party and the Government.

It is always more advantageous to fight within than outside. For example, the presence of a couple of industrialists in Lok Sabha does bring some practical wisdom to the discussion on economic and industrial matters. But I make bold to say that their influence would have been felt more and the business community would have been greatly benefited if they were members of the ruling party instead of being on the opposite side.

The latest policy statements and various recent legislations exhibit lack of proper knowledge and understanding, on the part of those in power, of business and business men. They are prejudiced against the entire class of business men because of malpractices practised by some. We very well know how a large number of workers and leaders of the ruling party have amassed wealth soon after the party came in power. But this did not prevent us from extending our general support to the ruling party. We looked to the brighter side and ignored the darker side. Simply because there were some persons in the ruling party who indulged in all sorts of malpractices to become rich quickly, we did not prejudice our minds against the party as a whole. The ruling party has behaved exactly in an opposite way.

I am not defending those business men who have been guilty of misdeeds and evil practices. But such evils manifested themselves in a certain abnormal period. It is most unjust to ignore the valuable contribution made by business men to the economic progress of the country and to abuse the business community as a whole. In my view, it is because they have remained aloof from politics and politicians, business men are misunderstood.

Indian business men and industrialists should realise that unless they get into politics and actively participate in it, they will lose their just causes by default. Sooner they discard their traditional apathy towards active participation in politics better for them and also for the future of the country.

Yours faithfully,
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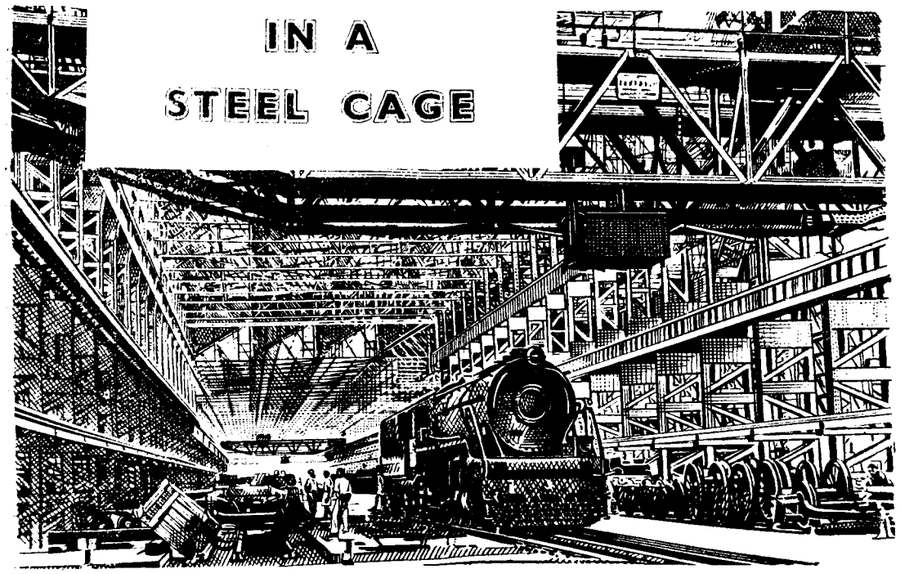
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The Business World

CO-OPERATION WITH STATE PARTICIPATION

By

CROESUS

AFTER perusing the "Statistical Statement relating to Co-operative Movement in India for the year 1953-54" and going through the Prefatory Note of the Chief Officer, Agricultural Credit Department, Reserve Bank of India, to the publication, I am inclined to feel that the co-operative movement is tending to become more and more official. Perhaps there is nothing surprising about this in the context of the presently developing pattern of the society, that is the Socialistic Pattern of Society, where the State must perforce obtrude more and more in the picture. How far this would rejuvenate the movement—quite a few have expressed serious doubts even about the progress that the co-operative movement has made in India—is a debatable question.

My observation as above is prompted by the remark in the Prefatory Note to the publication that the implementation of the recommendations of the All-India Rural Credit Survey Report, relating to the establishment, reorganisation and development of co-operative institutions "on the basis of State partnership" "is now in progress and has formed an important part of the second Five-Year Plans of the various States, which are being finalised". Partly also, this observation of mine stems from the growing evidence that the publication itself contains of not only an increasing degree of reliance of the movement for finance on the Reserve Bank and the Central Government but also on contributions from various State Governments. "There was an increase in the quantum of finance availed of by the State Co-operative Banks from the Reserve Bank of India during the year" states the Prefatory Note and adds: "Such loans outstanding with the State Banks stood at Rs. 9 crores on 30th June, 1954, as against Rs. 7.20 crores a year before. Loans outstanding from Government, however, declined from Rs. 15.06 crores to Rs. 14.66 crores during the year under report". Nevertheless, in the aggregate, the reliance of State co-operative banks on the Reserve Bank and the Government together was more by Rs. 1.04 crores.

As regards State participation in the capital structure of the State co-operative banks, the Note says that, of the total paid-up share capital of State co-operative banks which stood at Rs. 274.84 lakhs at the close of 1953-54, the total contributions of various State Governments amounted to Rs. 73.29 lakhs or 26.7 per cent of the total share capital. I may be permitted to point out here that the importance of the feature, which the Chief Officer of the Agricultural Credit Department of the Reserve Bank wanted particularly to highlight, has been somewhat minimised by comparing the total contributions of the 12 State Governments with the total paid-up share capital of all State co-operative banks in the country; had the State Governments' contribution in respect of the 12 States been compared with the total paid-up share capital of only the State co-operative banks of these 12 States, the percentage of the State's contribution to the total share capital would have been higher still at 39.8 per cent, instead of only at 26.7 per cent as has been shown in the publication. This, however, is only by the way.

Evidently, the Chief Officer approves of the view expressed by the All-India Credit Survey Committee that the share capital and reserves (Owned Funds) of all classes of co-operative banks generally ought to be greatly increased; at the end of the year 1953-54, the owned funds of the apex banks formed but 13.7 per cent of the total working capital, while 5 State co-operative banks had share capital which was even less than 5 per cent and three owned funds less than 10 per cent of the working capital. One can understand the reasoning of the All-India Rural Credit Survey Committee underlying the suggestion to raise the owned capital of these institutions, because it is directly linked to the borrowing limits of these institutions; otherwise it is difficult to understand why it should consider the figures of owned funds or share capital referred to as inadequate from the point of view of co-operative banks. In the case of commercial banks and insurance companies, generally, the share capital (in the case of banks, even the total owned funds) bears only a small proportion to the total working capital of these institutions. The following table of paid-up capital and reserves (owned funds) of six big banks corroborates my statement:

(In lakhs of rupees)

Name of Banks	Owned Funds Share Capital	Re-serves	Total Deposits
Imperial Bank of India	.. 562.50	635.00	231
Central Bank of India	.. 314.53	400.56	125
Bank of India	.. 250.00	352.00	58
Punjab National Bank	.. 87.50	105.00	52
Bank of Baroda	.. 100.00	128.00	31
United Com. Bank	.. 200.00	86.50	30

Apropos my earlier reference to the growing tendency of co-operative institutions to rely on the Reserve Bank and State Governments, I feel I ought to draw attention to an observation, in the Prefatory Note itself, which permits of the inference that, if the co-operatives function satisfactorily, they can draw funds from sources other than the Reserve Bank, State Governments, or even co-operatives, for that matter. Thus, referring to the composition of working capital of central co-operative banks and banking units in 1953-54, the note observes: "The bulk of the deposits were derived from sources other than co-operatives. Out of a total of Rs. 41.19 crores, as much as 28.59 crores were contributed by individuals and other sources".

Speaking of central co-operative banks, I cannot help endorsing the view of the Chief Officer that, in many of the States, there is a far too excessive number of central banks and banking units resulting in the average number of societies affilitated to each central bank being often too small to admit of a sizeable business turnover. This feature is by no means confined to the Central Banks and banking units but extends also to the structure of agricultural credit society which, in the words of the Chief Officer, "constitutes the basis of the co-operative credit structure in the country". Here, the uneconomic aspect is brought out in the average membership per society which was only 46 for both the years 1953-54 and 1952-53. In the case

of some States, I find, the average is even lower than the general average, the distiction of having the lowest average of 29 going to Hyderabad. Madras is at the other end, having an average membership of 95 and Bombay comes a close second with an average of 84. It is gratifying to hear officials who have to their credit a thorough study of the structure of co-operatives, talk of co-operatives as uneconomic business units. Obviously, experience alone can teach one that, in any walk of life, whether it is the Government that operates or the free enterprise that functions, insofar as business is concerned, there is no distinction between the two, under the inexorable laws of economics, as to what constitutes an uneconomic unit. For, after all, it is a simple question of distribution of over a smaller or a bigger-sized undertaking, but even this elementary concept is lost sight of in the all too eagerness to perceive elements of concentration of economic power even in places where there is the least justification to apprehend such a feature.

Before concluding, I must compliment the Agricultural Department of the Reserve Bank of having brought out the publication under review "earlier than at any time in the past". This justifiably proud claim only shows that, where there is a will, there is a way. If the publication has come out as early as it has, in fact, done, it is because the people responsible for it have been impressing upon the institutions that have to supply the data the necessity to do so promptly and, what is more, they have shown that the publication is not going to wait until some of these who have to furnish the data condescend to do so. It speaks volumes for the energetic manner in which the Department has gone about this work that, in about two years, the statistical statements for three consecutive years have been placed before the public. I wish the insurance authorities, who have, in all conscience, to deal with a much smaller number of companies, will emulate the excellent example set by the ACD Chief Officer of the Reserve Bank of India.

RESOLVING DEADLOCK AT THE DOCKS

By

CROESUS

THE recommendations of the Dock Workers' Inquiry Committee released recently have been received rather coldly by the Dock and Port Workers' Unions in Bombay. The Committee, headed by Mr. S. S. Vasist, was set up last January to review the working of the Dock Workers' (Regulation of Employment) Act in the ports of Bombay, Calcutta, and Madras and to make recommendations for the satisfactory working of the decasualisation schemes in these ports. In its report, the Committee has suggested "payment by results" to dock workers instead of "time-rate wages", vesting of administrative and disciplinary powers in the Chairman of the Dock Labour Board, and restriction of the activities of the Board to the policy-making sphere only.

There has been, for some months now, increasing labour unrest in all the three major ports, culminating in the declaration of a three-month emergency in Calcutta from August 1, 1955. According to reports from Calcutta, the extent of the 'go-slow' was as much as 50 per cent, which meant that three ships had to be used where two were used previously. The 'go-slow' movement is a legacy of last year, when the labour situation in Calcutta had deteriorated to such an extent that the outturn in some cases was as low as five tons per hook per shift. Despite the efforts of shipowners, port authorities and Government, the situation in Bombay also showed no signs of improvement, and the Government referred the matter to the Meher Tribunal which gave its award in June. Things have not been much better in Madras either. Chairmen of shipping companies in their speeches have been repeatedly referring to crises in the docks and to the loss to trade and the national economy resulting therefrom. Sir A. Ramaswamy Mudaliar, Chairman of Indian Steamship Company—to refer to the remarks of but one of these—has deplored the effect of reforms and regulations—probably good in themselves—which have been enforced by the Union Labour Ministry without being in a position to control or direct the labour situation in Indian ports. In particular, he has criticised the practice of copying labour reforms adopted in the United Kingdom in utter disregard of the difficulties involved in their application to Indian dock labour. An instance in point is the decasualisation schemes adopted two and a half years ago not only without adequate consultation with the interests concerned but in spite of the serious apprehensions entertained by shipping interests and the difficulties pointed out by them.

In the past, dock workers were paid for the work done by them, and the outturn was nearly three times the present average, in spite of an increase of nearly 400 per cent in wages in recent years. The shipowners are, besides, made liable to pay for idle labour, several of whom claim a subsistence allowance for being on the decasualisation list, and are never seriously inclined to work. This naturally raises operational costs. It is, therefore, felt to be necessary that wages and output should be correlated so as to give adequate incentive to labour, in particular, that section of it which believes in delivering the goods. The Twenty-Eighth Session of the Federation of Indian Chambers of Commerce and Industry, which met in Delhi in March this year, it may be remembered, passed a resolution to this effect.

At the annual meeting of the National Steamship Owners' Association, again, the attention of the Union Minister for Transport was pointedly drawn to the fact that, as a result of the steep fall in the output of dock labour, following the introduction of the scheme for decasualising the stevedore labour at the major ports, there have been abnormal delays in the turnround of ships. The net effect of these delays has been to reduce the voyage days of our ships so that, to carry a given cargo, we need something like 15 per cent more tonnage than would have been normally required. It is needless to stress what this means when we do not have adequate tonnage even normally to carry all the freight that is offered. Conferences of foreign shipping lines have also been complaining about this unsatisfactory state of affairs, and they even threatened the imposition of a surcharge on freights to the ports of Calcutta, Bombay and Madras. It is, therefore, imperative, that the question of improvement in port conditions necessary for effecting the quickest possible turnround of shipping should constantly engage the attention of the port authorities, the Government and the labour unions alike. These union leaders themselves categorically denounced, the 'go-slow' tactics as a means of attaining their objectives, a year ago, when they entered into an agreement with employers' representatives. It is rather puzzling, therefore, that these very leaders of the unions should now disclaim any responsibility for the present stalemate.

It is no good their merely paying lip sympathy by affirming that they do dot believe in the adoption of 'go-slow' tactics by workers as a method of redressing their grievances. 'Go-slow' amounts to a waste of national wealth, and it is high time labour heeded the warning of the Union Labour Minister to Calcutta dock workers that Government would oppose "such anti-national activities with all the strength at its command".

As was expected, the Dock Workers' Inquiry Committee has come to the conclusion that there has been a progressive deterioration in the turnround of ships, particularly at Bombay and Calcutta, and that such is mainly due to a decline in the effective output of labour. Hence the Committee's recommendation for payment by results in place of time-rate wages. The Committee has also emphasised the value of employment on a monthly basis and suggested a progressive transfer of pool workers to monthly registers in order to ensure greater regularity of employment and efficient performance of dock work. For securing a quicker turnround of ships, the Committee suggests three shifts round the clock, with no interval in between; of these, it is stated, two should be compulsory and the third optional, subject to the approval of the port authorities.

The Committee further feels that minimum days for which guaranteed wages are payable should be progressively increased from 12 days to 21 days. This comes very near to the Calcutta Dock Mazdoor Union's demand for a guaranteed minimum of 26 days a month.

The Dock Workers' (Regulation of Employment) Act now covers only some sections of stevedore labour in the ports concerned. The Committee is of the opinion that the question of decasualisation of shore casual labour also should be taken up and that shore workers employed in loading and unloading cargoes too should be brought under the price-rate system of wages. Although not opposed to decasualisation as such, the labour unions complain that the scheme does not appear to be working properly and, to prove their case, they point to the fact that there is actually a larger labour force now than before the scheme was introduced.

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(QUARTERLY BULLETIN)

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BUSINESS NOTES

SOVIETS AS TEXTILE EXPORTERS

SINCE THE return of the Soviet Union to the United Nations Economic Commission two years ago, that is, after a voluntary absence of four years, the scope for increased trade between the East and the West has been considerably enlarged. Thus, during the last two years, Russia's trade with India has quadrupled following the trade agreement between the two countries signed on December 2, 1953 for a period of five years. Incidentally, it may be noted here that this agreement provides for export of Indian jute manufactures, tea, coffee, tobacco, shellac, black pepper, wool, hides and skins and vegetable oils, and for import by India from Russia of petroleum and petroleum products, iron and steel manufactures, industrial plant and equipment, equipment for textiles, tractors and agricultural machinery, among others. According to the Chairman of the Central Soviet Chamber of Commerce, as reported by "Tass" the total volume of foreign trade by Russia in 1954-55 amounted to about Rs. 3,000 crores.

It is noteworthy that the expansion in trade between Communist countries and the free world has been made possible, to a great extent, due to the boost in exports of cotton textiles from the former to the latter. In 1954, the Communist countries exported about 75 million yds. of cotton textiles to free countries. Of this, Russia alone accounted for nearly half by registering a shipment of 34 million yds., with Czechoslovakia coming next and accounting for 22 million yds. Even Communist China exported about 14 million yds. of cotton textiles to the free countries, while Poland and Hungary sold five million yds. each.

According to a very interesting survey conducted recently by the Cotton Yarn and Textile Exporters' Association, Osaka, the countries that went in for Russian cotton textiles were mainly Britain, Iran, Turkey, and Finland, while those who imported cotton textiles from Communist China included Malaya, Hong Kong, Indonesia, and Australia. At the same time, it is interesting to note that Communist China also imported cotton from Japan to the tune of 7,597,000 yds. in 1954 as against only 330,000 yds. in the previous year—and this, notwithstanding the U.S. dissuading the latter from resuming trade with that country, for obvious reasons.

During the year 1954, Iran topped the list of purchasers of Communist cotton textiles by importing as much as 31 million yds. while Turkey absorbed 11 million yds. Indonesia, the Union of South Africa, and Britain accounted for import of cotton textiles only to the extent of four million yds. each. It is significant that the fall in Britain's offtake of Communist cotton textiles has been followed by a sharp drop from 1,775,000 yds. to just 150,000 yds. in the export of cotton textiles from the U.K. to the Communist countries. Trade, whether as between only free countries or as between free countries and Communist countries is essentially a two-way traffic; it cannot be otherwise.

It is a matter for serious speculation whether, given the opportunity, the Communist countries would not, in course of time, rank as ambitious claimants for the world's textile markets as Japan herself. May be, the threat to textile-exporting countries could come from quite unsuspected quarters, besides Japan. Meanwhile, Japan's phenomenal increase in exports of cotton textiles, particularly to the U.S., has been causing serious concern in America with millmen there expressing fear that the situation poses a greater threat than that which preceded the debacle of the late thirties. In their own interests, therefore, the other textile-producing-cum-exporting countries would do well to keep a close watch over the tempo of textile exports of not only Japan but of the Communist countries as well.

PEPPER DUTY OFF

IN PURSUANCE, no doubt, of the Government of India's export promotion policy, export duties are disappearing one by one. The latest in the series happens to be the duty on pepper, which, before it was abolished last week, stood at 15 per cent "ad valorem". Incidentally, this is the second time that the pepper export duty has come in for attention at the hands of the authorities during this year, the first being when the duty was cut by half on January 9.

The relief has come—as it seems to do almost always—at a time when exports have already been appreciably subdued because of increasing competition from Sarawak and Indonesia. The latter country, it may be remembered, cut its export duty from 15 per cent to 5 per cent as early as July last, so that it has all along been successful in underselling India in the foreign markets. Even after the abolition of the duty by India Sarawak quotations are still lower than India's by some three to four cents per pound. Although the crops of Sarawak and Lampong are lower (estimated at 12,000 to 15,000 tons and 6,000 to 8,000 tons compared to last year's 15,000 and 9,000 tons, respectively), these countries have been forced to make concessions in their quotations partly on account of the pressure of arrivals and lack of buying support from the Continent and partly because of Indonesia's bid to undersell her rivals.

Pepper exports from India have been considerably down this year. The total quantity exported during the first nine months of the current season (from November, 1954 to July, 1955) was only 1,92,049 cwts. against 2,42,651 cwts. in the corresponding period of last year. Shipments scheduled for the subsequent months are reported to be not encouraging. New York generally covers its autumn requirements in July and August, and, with restricted demand from that side, markets here have been rather restive. Trade circles place this season's deficit in export at 70,000 cwts.

It is to give the necessary fillip to our dwindling export trade in pepper thus that the Union Government took the latest decision it did of abolishing the export duty altogether as stated at the outset. That the decision is belated is borne out by the fact that there is hardly one and a half months left now for the commencement of the new season. Presumably, the higher Indian crop estimate—about 20 per cent more than last year—has bestirred the powers-that-be. One must yet hope for the success of the Government's latest measure, because the carry-over to the new season also may be about 3,000 tons, that is, the same as last year. In other words, the statistical position of Indian pepper is by no means happy which is the last thing that any country would want when the world markets for the commodity concerned are anything but responsive.

SYNTHETIC RUBBER PLANT FOR INDIA?

IT IS a moot point whether a country producing natural rubber should also embark on the manufacture of synthetic rubber. India is not the only country to toy with the idea of setting up a synthetic rubber industry, but she is, perhaps, the only natural rubber producing country to do so.

Last year, there was a gap of 3,500 tons between production and consumption of rubber, which was

bridged by imports. According to the Draft Framework of the second Five-Year Plan, about 40,000 tons will be needed by 1960. Assuming that production does not expand any further by then, there will be a shortage of 14,000 tons in 1960. In the context of this prospect, the anxiety on the part of the Government and of some private interests, mostly manufacturing, to set up a synthetic rubber plant is perhaps understandable. But then can production of natural rubber in India not be increased at all? Surely, the situation is not that bad. As it is, many schemes for replantation have been set on foot, and their speedy implementation should enable the rubber industry, in all probability, to meet the entire prospective and potential demand within the country itself.

There is, however, one reason which would justify consideration of a synthetic rubber scheme for India. It is that, even if ample natural rubber were available, there would still be need for India to have a synthetic rubber industry of her own, producing the kind of materials now thought to be characteristic of man-made rubber. But then such a proposition bristles with a good many practical difficulties. In the first place, any synthetic rubber plant—more so the special variety type—has to depend on a wide variety of raw materials and chemicals not readily available here, and to import them all will mean a heavy drain on our meagre foreign exchange resources. In this connection, attention may be drawn to what the Dunlop Company's Chairman said recently in regard to his Company's plans to set up such a plant in England. He spoke of the non-availability of raw materials at an economic price as the main impediment in the way of implementing the scheme.

Unless India is faced with a serious threat to the supply of rubber from external sources, which can arise only in the event of a world war—a contingency which India herself is doing everything in her power to prevent, thanks to her "Panchashila" propaganda—the more prudent and, at the same time, practicable course for our country, which is capable, in all conscience, of producing more natural rubber, is to strengthen and expand its own natural rubber industry, so as to be able eventually to meet India's entire rubber requirements.

SQC

WITH THE emergence of a statistical expert as the high priest of our Five-Year Plans, India has suddenly become statistics-conscious. This is evidenced by the attention that the four statistical quality control (SQC) units in the country, sponsored by the Indian Statistical Institute, have begun to attract lately.

Foreign professional firms of efficiency engineers like IBCON, have long been giving similar service in this country, as elsewhere, but it is perhaps for the first time that—and India, in turn, is perhaps the only country wherein—the Government has itself provided industry with agencies for installation and maintenance of SQC service.

Statistical quality control reduces the cost of production by improving the quality of the product. It helps (a) the "management" in keeping a check on the quality and cost of the manufactured product, (b) "the technician" in locating immediately faults in the manufacturing process, (c) "the operative" to become quality-conscious and (d) "the consumer" by protecting him from undue variations in quality. Statistical quality control often results in reduction in scrap, rework and undue adjustments as well as in increased production and standardisation of quality. For example, training of operatives by means of charts installed on the machines of an engineering factory, reduced the "off-limits" production from 30 per cent to 5.6 per cent. Records of a metal factory analysed by the quality control techniques showed that the factory was giving too much copper content in the brass sheets; with proper controls, it was estimated that the average level of copper content could be reduced resulting in a saving of Rs. 64,000 per annum. In many textile mills, statistical methods have been introduced at various stages of yarn and cloth manufacture; control is thus exercised on variations in wrappings, end breaks, waste, damages, speed and efficiency. The age-old procedure of making too many adjustments and pinion changes on the machines in a futile attempt to improve the product is being gradually abandoned and tolerances are being revised on the basis of SQC techniques. An engineer, by means of control charts, we are told, raised the average steam/coal ratio from 4.3 in August, 1954 to 5.4 in November, 1954, bringing down the fuel cost by about 32 per cent!

Statistical analysis, invariably, indicates scope for further improvement. But the successful application of SQC in industry depends, to a large extent, on the attitudes of the managements and the facilities they provide to their trained staff.

HEALTHIER STRUCTURE FOR I.F.C.

MR. K. R. K. MENON'S presidential speech delivered at the seventh annual general meeting of the Industrial Finance corporation of India supplements in material respects the information given in the IFC's last annual report. It should be obvious from the clarification provided by Mr. Menon that a healthier structure is being built for the finances of the Corporation. The case for making a very substantial appropriation of the order of Rs. 15 lakhs to the Reserve for Doubtful Debts is convincing and in the context of this appropriation the special contingency which arose for calling upon the Government to pay the entire amount of dividend under the guarantee clause need not cause any stir. The Reserve for Doubtful Debts at Rs. 20 lakhs now goes up to four times its size in the previous year.

The position as regards defaults in payments of principal amounts and interest shows positive improvement. Defaults have arisen due to unsatisfactory financial conditions only in a few cases, but a large proportion of the defaults is of no significant size. Most of them have been found deserving of postponement in payment. Now that the case of the Sodepur factory has been resolved in a manner which was most satisfactory in the situation the IFC's problem in respect of companies whose assets have been taken over has been very much simplified and reduced to manageable proportions. The number of such companies is four and the management is anxious to demonstrate that it can deal with such cases with sympathy and bring the undertakings back to an active stage of full production. This is an interesting test of its capacity to fulfil a special obligation as an industrial banker. The new Section 23-A of the Income-Tax Act, as substituted by the Finance Act this year, is likely to affect adversely the position of some of the loanee-companies to make repayments to the IFC. On receipt of fuller information as to the extent to which the change will have repercussions on their ability to pay, the IFC proposes to devise ways to assist the companies in obtaining exemption from this particular provision of the Income-Tax Act.

ART SILK RESEARCH

ART SILK, presumably because it is capable of being produced in several forms—rayon, nylon, terylene, staple fibre to name only those which are most widely known—is a commodity that is subject to most severe competition in the world's fibre markets. The chances

of success of any branch of the art silk industry depend, therefore, on the concerned industry's ability to produce the finest quality goods at the cheapest price. It is axiomatic that higher efficiency, lower costs of production and better quality can only be achieved by the adoption of modern scientific methods and the latest technology. But, by reason of the fact that the art silk industry in this country is composed of small units, and also because the mills in these units are equipped with different types of machinery, the task of application of costly methods of research and modern technology presents a fairly difficult problem. However, in such circumstances, operational research has a useful role to play. Hence the establishment of a research institute by the Silk and Art Silk Mills' Association must be regarded as a welcome step in the right direction. Mr. D. N. Shroff, President of the Association, said, at its fifth annual general meeting on September 22, that the Institute would start functioning soon.

The demand for textiles will continue to increase with rising world population. The present world output of man-made fibres is 4,983 million lbs., which is nearly 30 per cent of the world production of cotton fibres and double that of wool. The indigenous rayon industry, though of recent growth, has, therefore, a bright future. In this connection, the recent formation of the Development Council should also be of great help to the industry. There are, however, certain problems facing the industry like shortages of raw materials. But the new rayon plant to be set up by the Silk and Art Silk Mills' Association, along with the plans for expansion of the existing units and of yet another rayon unit in Kalyan, should go a long way towards relieving the scarcity.

U.S. COTTON POLICY

FAITHFULLY CONFORMING to its cotton policy statement made on August 13 last, the U.S. Government has now come out with a categorical assertion that it has 'decided definitely' to offer for export sale, at cut-rate prices, up to 1,000,000 bales of Government-owned surplus cotton after January 1, 1956. Although January is still far away and the announcement was not unanticipated, the immediate reaction of the cotton market in Bombay to the decision of the U.S. Department of Agriculture has been distinctly bearish. A general nervousness seems to have infected the market and buyers are seen patently to fight shy of entering into any fresh commitments, with the result that the ruling February contract lost as much as five points in a single day on September 23. It is true this loss is not very considerable as market standards of a big fall go, but the fact remains to be recorded that the market, in the process of decline, pierced the resistance level. That, indeed, ought to occasion some concern. In shows that the assurance of the U.S. Agriculture Secretary that America has no intention of disrupting world trade in this vital commodity by dumping its cotton on international markets. Even a mere statement of policy in the present delicately poised state of the market is invariably interpreted bearishly, and is enough to bring about a perceptible decline in prices.

Sharing the views of Mr. Benson, Mr. Francis G. Hickman, Editor of the well-known "Cotton Trade Journal", who was in Bombay recently on one of his periodic tours round the world, also expressed the view that the disposal of American surplus cotton would be so planned as not to hit the international cotton economy. In support of this, he said, that, if America, which holds the colossal stock of nearly 90 million bales, spending a million dollar daily on its storage alone, in order that the "support price" could be maintained, decides to release it on the world market, there would be a world-wide crash. America is holding the 'price umbrella' at a great sacrifice thus, because it does not want to hurt anybody, he added. The same tendency to import lofty principles into America's cotton policy was also reflected in Mr. Benson's address to the International Federation of Agricultural Producers in Rome on September 9, when he said that the accumulated cotton surplus is the responsibility of all the world's cotton—producing nations, not just that of one or two of the larger producers.

CHINA NEWS ANALYSIS

Weekly study of communist China

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economic
social
cultural
developments

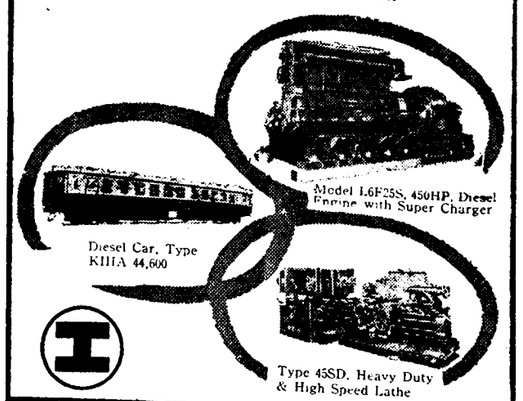
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COMPANY AFFAIRS

THE ALUMINIUM INDUSTRIES, LIMITED

The working of the Company for the year ended March 31, 1955, has resulted in a net profit of Rs. 12,63,946, after providing for adequate depreciation and also for taxes and contingencies. This amount, together with the sum of Rs. 82,511, carried forward from last year's accounts, makes a total of Rs. 13,46,457. The Directors recommended the appropriation of the amount as follows:

To payment of dividend at Rs. 1-4 per share (12½ per cent per annum) of 2,00,000 shares (including the interim dividend of Re. -|10|- per share already disbursed in March, 1955)	Rs.	2,50,000
To payment of dividend at Re. 0|6|8 per share (12 per cent per annum) on 50,000 shares of the last issue which are eligible for dividend from December 1, 1954	,,	20,833
To addition to the General Reserve (bringing this to Rs. 15,50,000)	,,	5,00,000
To addition to the Deferred Taxation Reserve (bringing this to Rs. 5,75,000)	,,	4,25,000
To addition to the Dividend Equalisation Fund (bringing this to Rs. 3,25,000)	,,	75,000
To balance to be carried forward to next year's account	,,	75,624
TOTAL	Rs.	13,46,457

The production was satisfactory during the year under review. About 13,812 miles of aluminium cables and the full range of cable accessories were manufactured. This production was against orders from the Central and State Governments and public utility undertakings. The cable mill expansion programme is nearing completion. The increased production has been possible as a result of this expansion and the modernising of certain items of equipment.

The aluminium rod rolling mill for producing rods from ingots was completed and commissioned during the year under review. This has enabled the Company to produce its main raw material for cable manufacture, namely, electrolytic aluminium rods at Kundara itself. Hereafter Indian metal will be used in cable manufacture to the extent it is available. The additional share of Rs. 5 lakhs raised in 1954 was utilised for financing the rolling mill project. A scheme for the manufacture of Insulated Aluminium Cables has been taken on hand. The necessary licence and sanction for this Project have been obtained from the Government of India. The latest type of machinery and equipment is being ordered. The new mill is expected to be completed towards the close of the year 1956.

HULDIBARI TEA ASSOCIATION, LIMITED

The Profit and Loss Account of the Association shows a gross profit for the year 1954 of Rs. 20,60,450 from which Rs. 6,43,032 have been provided for taxation; Rs. 88,590 for depreciation of assets; Rs. 15,700 for staff expenses and Rs. 50,000 for staff reserve. Allowing for these and the other adjustments shown, there is a net profit for the year of Rs. 12,80,861, which, together with the balance brought forward from 1953, gives a total available on this Account of Rs. 13,77,181. Out of this, payment has been made of an interim dividend of 5 per cent on January 25, 1955, and a second interim dividend of 25 per cent on March 28, 1955, absorbing Rs. 2,47,500 in all; and there remains a balance of Rs. 11,29,681 which is proposed to be dealt with as follows:

Transfer to Renewals and Additions Reserve	Rs.	1,50,000
Transfer to General Reserve	,,	4,60,000
Pay a final dividend of 50 per cent making a total of 80 per cent for the year	,,	4,12,500
Carry forward to 1955	,,	1,07,181
TOTAL	Rs.	11,29,681

The estimates for 1955 are based on a crop of 21,500 maunds at a total cost of Rs. 23,91,434, equal to a revenue cost of production of 22.21 annas per pound of tea, including the increase in labour wages granted from January 1, 1955.

Very severe drought early in the season, followed by abnormally heavy rainfall, affected outturn materially, the crop made being 16,07,368 pounds of tea. Part of this was sold forward on Private contract and the balance disposed of on the very favourable market that prevailed during the year. The increase of 4.04 annas per pound of tea, in production costs reflects the restoration of the estate to full normal maintenance after the enforced economies of the previous year, and the smaller crop made.

CAWNPORE TEXTILES, LIMITED

The Audited Account of the Company for the year ended March 31, 1955, shows, after making the usual provision, but before charging Depreciation as below, a loss of Rs. 43,259

to which has been added:— Depreciation	,,	2,50,000
	,,	2,93,259
from which has been deducted: Adjustment of valuation of finished goods not related to the current year's manufacturing Rs. 1,46,000		
Provision for Taxation no longer required ,, 1,50,000		
	Rs.	2,96,000
	Rs.	2,741
to which has been added the Carry Forward from the previous year	,,	26,773
Leaving at credit of Profit and Loss Account	Rs.	29,514

During the year under review, trading conditions continued to be unfavourable, and to this was added the difficulty, referred to in the last Report, of persuading the Company's workmen to accept a more efficient system of working. Without the fortuitous credits which enabled the Directors to recommend a dividend last year, this year's Accounts disclose a loss and no dividend is proposed.

Company Meeting

Industrial Finance Corporation of India

Speech delivered by the Chairman, at the Seventh Annual General Meeting of the Shareholders of the Corporation, held on the 17th September, 1955.

Gentlemen,

I have pleasure in placing before you the Accounts of the Corporation and the Report of the Board of Directors for the year ended the 30th June, 1955. This task should have fallen on Shri P. C. Bhattacharyya, whom you all know, as he presented the Annual Accounts and the Report for the year 1953-54, and was also Chairman of the Corporation during the entire period of the year under review. This was a difficult period for the Corporation, and I am sure, I am voicing the feelings of all of us who are assembled here today when I say that the Corporation has laid itself under a deep debt of obligation to Shri Bhattacharyya for the most efficient and effective manner in which he discharged his onerous duties as Chairman, in spite of the fact that his main official burden as Financial Commissioner of Railways must have left him with very little time to devote to the affairs of the Corporation. It is my first pleasant duty, therefore, to convey to Shri Bhattacharyya the grateful thanks of the Shareholders and of the Board of Directors of the Corporation for his valuable services.

Before I proceed to the other items on the Agenda, I have to refer to the sad demise of our esteemed colleague Shri H. C. Captain who was a director of the Corporation from its early stage. His wise counsels were of immense value in the deliberations of the Board and I am sure you will join me in expressing our deep sense of sorrow at his unfortunate demise and conveying our sympathies to the bereaved family. I would also mention some of the more important changes that have taken place in the Board of Directors of the Corporation. I was nominated Chairman, in succession to Shri Bhattacharyya, on the 6th August, 1955. Shri Sonalker, the Managing Director, retired on the 7th June, 1955 and was succeeded by Shri H. V. Venkatasubbiah. To Shri Sonalker I express the thanks and good wishes of the Corporation.

The first item on the agenda is the consideration of the Annual Accounts and the Report of the Board of Directors on the working of the Corporation for the year ended the 30th June, 1955. Printed copies of the Accounts and the Report are before you. These have also been circulated to all the shareholders. I shall, if you agree, take them as read. I would, however, make some observations on a few points.

The working of the Corporation for the year ended the 30th June, 1955, was on the whole satisfactory, judging from the number of applications for loans received as well as the amount of loans sanctioned by the Corporation, particulars of which are furnished in the Report. Our gross profit for the year, subject to provision for taxation, was Rs. 24.70 lakhs, and is higher than that for the previous year by Rs. 2.51 lakhs. In fact, it is the highest earned by the Corporation since its inception. I should add in this connection that this year also no interest has been charged on the advances made to the Sodepore Glass Works Ltd., and interest on certain accounts which are considered doubtful of recovery has been taken to the Interest Suspense Account. You will observe from the Profit and Loss Account that the interest so taken to the Interest Suspense Account amounts during the year to Rs. 2.45 lakhs as compared with Rs. 1.37 lakhs during the previous year. The increase of Rs. 1.08 lakhs is due to a careful review of the present position of our loan accounts as a result of which the Directors considered that it would be prudent to take the interest on a few more accounts to the Interest Suspense Account in addition to those interest on which was so taken during the last year. I must, however, point out that though the position regarding our gross profit is satisfactory, we have had to call upon the Government this year to pay us a subvention to meet the entire guaranteed dividend, amounting to Rs. 11,25,000, on the share capital of the Corporation, as against a sum of Rs. 4,06,363-14 which was the corresponding figure for the previous year. The main reason for this is that this year we have considered it necessary on a review of our loan accounts in consultation with our Auditors, to transfer a sum of Rs. 15 lakhs to the Reserve for Doubtful Debts, as against a sum of Rs. 5 lakhs which was all that we transferred to this head last year. This brings the total provision under this head of Reserve Account to Rs. 20 lakhs and this does not include any provision for possible loss in the account of the Sodepore Glass Works Ltd. You will observe from the Balance Sheet that the estimated loss in this account will be in the neighbourhood of Rs. 50 lakhs for which provision has to be made from our future profits.

A reference was made in my predecessor's speech last year to the defaults made in the payment of principal and interest. I am glad to mention that the position regarding defaults during the current year shows some improvement. The percentage of the companies defaulting as well as the amount defaulted shows marked reduction. It is only in the case of a very small number of companies that defaults have been due to their unsatisfactory financial position; in the majority of cases, the defaults were of a casual nature and the Corporation, after careful consideration of the circumstances of default in each case, has dealt with the parties sympathetically, and granted postponements for payments of principal and/or interest wherever this was found possible.

You will observe from Appendix "E" to the report now presented to you that we have attempted, for the first time, a brief review of the development of industries in this country, particularly in the fields in which the Corporation has advanced loans. It is hoped that this review, which has been done in implementation of a directive issued by the Central Government, will be found useful and instructive, and an improvement on the purely statistical statement we furnished in Appendix "E" to our last Annual Report.

A reference was made by my predecessor, in his speech at the last Annual General Meeting, to the negotiations that had been taken in hand regarding the Sodepore Glass Works Ltd. After consideration of all the aspects of the case, the Board of Directors came to the conclusion that this factory should be sold as early as possible. A Negotiating Committee was appointed by the Board with Shri Bhattacharyya as Chairman, for exploring the most satisfactory terms for this purpose, and, on the recommendation of this Committee, the Board have decided to sell the factory to Messrs. Asahi Glass Company Ltd. of Tokyo. The main terms and conditions of the sale are that the vendee will pay Rs. 62 lakhs as price of the assets of the Glass Works, in instalments spread over a period of 17 years together with interest on the unpaid balances at 3½ per cent per year. Further, the vendee company will form an Indian Company immediately to take over the assets and work the plant so as to be able to bring the factory into production early next year. The Asahi Glass Company has the reputation of being one of the largest and most efficient glass manufacturing concerns of the world today, and we confidently expect that they will be able to make a success of this venture.

A reference has been made in the Annual Report to certain companies whose assets the Corporation had to take possession of. The specialised nature of the work done by the Corporation and the need for sympathetic treatment of borrower concerns was dealt with by my predecessor in the speech made by him at the last Annual General Meeting. I need only add that the cases referred to above are receiving the careful consideration of the Board of Directors, and it is hoped that a satisfactory solution regarding them will be found before long.

I must now invite your attention to one or two items in the Profit and Loss Account for the year. You will find therein that a sum of Rs. 1.49 lakhs is shown as having been written off on account of loss on the Corporation's building project. At an early stage after the inception of the Corporation, it was felt that a suitable building should be constructed to house the office of the Corporation at Delhi. Accordingly, a site was purchased from the Government, plans, estimates etc., were prepared, and tenders were invited for the construction of the building. However, it was felt on a subsequent reconsideration of all aspects of the matter that the scheme should be dropped, and that other arrangements should be made for suitable office accommodation for the Corporation. The amount spent on architects' fees, etc., has therefore had to be written off. Luckily, we were able to re-sell our plot to Government at the same price at which we bought it.

You are aware that Section 23-A of the Income-tax Act has been substituted by a new Section 23-A under the Finance Act, 1955. As a result of the substituted Section, the Companies in which the public are not substantially interested have to pay super-tax unless they distribute dividends to the extent of 60 per cent of the total income as reduced by the amount of income-tax and super-tax payable by them in respect of their total income as also any other tax levied under any law for the time being in force. Discretion has, however, been vested in the Commissioner of Income-tax to reduce the minimum amount of dividend required to be distributed under this Section under certain circumstances. If companies which are engaged in the manufacture or processing of goods, shipping, mining or generation or distribution of electricity or any other form of power, are dissatisfied with the decision of the Commissioner of Income-tax, provision has been made for reference to a Board of Referees to give the companies opportunity of being heard. Some of the industrial concerns to whom the Corporation has given financial assistance are likely to come under the purview of the above Section and the Corporation has addressed a circular letter to all the borrower companies to ascertain from them how far this new Section will adversely affect their capacity to repay the instalments of loans advanced by the Corporation. On receipt of their replies, it is proposed to consider in what manner the Corporation can assist the borrower companies in the matter of obtaining exemption from the operation of the new provision in the Income-tax Act.

It has been mentioned in our Report that the Bill further to amend the Industrial Finance Corporation Act, 1948, was introduced in the Lok Sabha on the 12th April, 1955. The Bill has since been passed by both the Houses of Parliament and has received the assent of the President. The Central Government have notified that the Act will come into force with effect from the 18th September, 1955. The amended Act has brought about certain alterations in the structure of the Corporation mainly in regard to the Chairman and the Executive Committee.

A reference has been made in our Report to the audit of the accounts of the Corporation for the first time by the Comptroller and Auditor General of India under the provisions of Section 34 of the I.F.C. Act. You may have observed from the Audit Report that it has raised a number of vital issues regarding the working of the Corporation. The Board of Directors gave their earnest consideration to all the matters arising out of the report and submitted to Government their views on the various issues and also gave detailed replies to the points brought out in the Report. In view of the interest and public criticism that the Audit Report has evoked it would normally have been in the fitness of things if we had placed before you our observations on the various items included in the Report, but we have been unable to do so as we have been advised that, as the Public Accounts Committee's report on the Audit Report has not yet been considered by Parliament, it would not be in order for us to place before our shareholders our comments and observations on the Audit Report. I would like, however, to assure them that no efforts will be spared by the Corporation to remove whatever shortcomings there may be in its working.

Before resuming my seat, I would like to convey my thanks to my colleagues on the Board of Directors for their co-operation and guidance in all our deliberations. I would also like to convey on behalf of the Board and on my own behalf, our thanks to the Managing Director and the staff of the Corporation, both here and in the branches, for their loyal and devoted work during an exceptionally difficult year.

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COMMODITY NEWS AND NOTES

PRICE SUPPORT FOR JOWAR AND MAIZE

The Government of India has decided to reintroduce the price support scheme for jowar, bajra and maize during the ensuing Kharif season. These food grains will be purchased from cultivators at the same prices as were in force during the current year, viz., for jowar and maize Rs. 5-8 per md., and bajra Rs. 6 per maund.

The State Governments, according to a Press note released by the Ministry of Food and Agriculture, are being asked to make adequate advance arrangements for the purchase of these food grains in selected centres so that these arrangements may be complete before the new crop comes into the market and the cultivator is able to take full advantage of the price support scheme.

WORLD RUBBER OUTPUT ADVANCES

World natural rubber production in July dipped below last year's corresponding total, but output for the first seven months of this year topped the like period of last year, states a report issued by the United States Commerce Department. Production totalled 152,500 long tons, compared with 170,000 tons a year earlier. For the January-July period, output was estimated at 1,025,000 long tons, compared with 995,000 tons in the same period a year ago.

Consumption of natural rubber totalled an estimated 142,500 tons in July, compared with 130,000 tons in the same month of last year. Seven-month consumption came to 1,087,500 tons against 1,005,000 tons in the like period of 1954.

The Department also gave these estimates of synthetic rubber operations, excluding Iron Curtain countries: For July—production 90,000 tons; consumption 75,000 tons. For July last year—production, 53,280 tons; and consumption, 50,000 tons. In the first seven months this year, the report said, synthetic output totalled 597,000 tons and consumption 582,500 tons. In the same period last year, production totalled 404,491 tons and consumption 422,500 tons.

RAW RUBBER PRICE RAISED

The Government of India has decided to raise, with immediate effect, the price of raw rubber from Rs. 150 to Rs. 155-12 per hundred lbs., of group I rubber f.o.b. Cochin with suitable adjustments for other grades.

IMPORT DUTY ON ARECANUT

Import duty on arecanut has been reduced with effect from April 30 last, stated Mr. A. C. Guha, Minister for Revenue and Defence Expenditure in the Lok Sabha on September 30. Mr. Guha added that the budget estimate for 1955-56, based on the rate of duty previously in force, was Rs. 6.5 crores.

During the first five months of the financial year, an amount of Rs. 3.4 crores has been realised, and at this rate it is probable that the budget estimate will be reached or even exceeded despite the reduction in duty, he added.

CULTIVATION OF GROUNDNUT

The all-India first estimate of groundnut, 1955-56, puts the current year's acreage at 7,625,000 acres, as against 7,911,000 acres in the adjusted first estimate for 1954-55. Thus, it shows a decline of 286,000 acres or 3.6 per cent in area over last year.

Decrease in area under groundnut during the current year has largely occurred in Saurashtra due to inadequate rainfall during the early part of the monsoon. Small decreases in acreage have also been reported by Madhya Bharat, Bombay and Rajasthan. This decline in acreage has, however, been offset to a large extent by the increases registered in Hyderabad, Uttar Pradesh and Punjab due mostly to favourable weather conditions at the sowing time.

The information given in this estimate covers the period generally up to the end of July, 1955. Till then, the condition of crop was reported to be generally satisfactory.

ESTIMATE OF SESAMUM

The all-India first estimate of sesamum for 1955-56, puts the current year's acreage at 3,588,000 acres, as against 3,714,000 acres in the adjusted first estimate of 1954-55. This shows a decrease of 126,000 acres or 3.4 per cent in area during the current year as compared to last year.

The decline in acreage under sesamum during the current year has occurred mainly in Saurashtra, Hyderabad, Bombay and Rajasthan. The decline in Hyderabad State has been attributed to incessant rains at the time of sowing, whereas in other states it is due to inadequate rainfall and unfavourable weather conditions. This decline has, however, been offset to some extent by increases registered in U.P., Madhya Bharat and Madhya Pradesh, due mainly to favourable climatic condition at the time of sowing.

The information given in this estimate covers the period generally up to the end of July 1955. Till then the condition of the crop was reported to be generally satisfactory.

CULTIVATION OF SENNA

Researches at the Drug Research Laboratory, Jammu, have shown that the climatic and soil conditions in Northern India are suitable for the cultivation of Senna—a well-known household purgative.

The total annual production of Senna in India—about 26,000 cwt. valued at over Rs. 7 lakhs—is exported mainly to Europe and America. Attention has recently been devoted to the cultivation of the Senna plant and its collection to increase the output of the drug in the country.

The plant from which the Senna is obtained is a small shrub, about 3 ft. in height and occurs in a state of nature on the waste lands of Punjab and Sind. It is cultivated in South India in Tinnevelly, Madura and Trichnopoly districts.

RICE TO ORISSA

The Government of India has allotted to Orissa 15,000 tons of Burma boiled rice from their stock in Madras and 29,000 tons of Burma raw and boiled rice from the Central Reserve Depot in Calcutta. This brings the total quantity of cereals given to the State by the Centre up-to-date to 93,000 tons. In addition, 6,000 maunds of gram have also been allotted. Arrangements with the railways have been made to run from Madras up to two special trains per day each carrying 1,000 tons of rice.

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The Legislative Process

THE parliamentary session which ended last week will receive credit for the swift passage of the Companies Bill. In size, the Bill looked formidable all along and discussion on its 650 clauses was expected to drag on almost for the rest of the year. In enabling its passage through both Houses of Parliament within a period of four weeks—during which much other business was also transacted—Parliament has now earned a reputation for a workmanlike approach to its business. The Companies Bill, in particular, had raised many controversial issues, and even though many of them have not been satisfactorily settled, it would be difficult to attribute this result merely to the speed of the proceedings in the two Houses. Within the same time that was spent, the outcome might have been different, just as even with more time and talk it could have remained equally unsatisfactory. There is no complaint that various points of view were not properly heard; if there were not many points of view to be heard, it is a different matter altogether, though greatly to be deplored.

This improved capacity of Parliament to handle its work expeditiously is an encouraging factor in the working of our parliamentary democracy. At the present time, it is facilitated by certain circumstances. The opposition is still confined to small, though very vocal, groups which cannot seriously challenge the Government even if it acts unitedly. And more important than that is the lack of sharp dividing lines between the Government and the opposition on the major

issues. It is not the subject of foreign policy alone that has thus become multi-partisan. Even on domestic issues, such as social and economic legislation, there is not a wide area of disagreement within Parliament because the differences arise only between viewpoints which are generally identified as Left Centre and the extreme Left. The Constitutional Amendment was thus enacted with a near-unanimity which was perhaps unprecedented but did not cause much surprise. Other ordinary legislation too is often treated in the same manner. In a situation in which the opposition is not ready with a specific alternative course of policy or action which it can commend to the public or to the electorate, it is bound to remain enfeebled and distracted as now.

These are advantages only from the narrower point of view of expeditious legislation and they may continue to be powerful factors until the growth of a rival political party—which means, for a long time to come. One drawback of this situation is that other points of view fail to be heard, or to be heeded if heard. A more serious result is the decline of interest of members in participation in parliamentary proceedings; this is the outcome of a uniformity often approaching unanimity in views. Perhaps no other session of Parliament had to deal so often with the question of lack of quorum as the last one. It is a disheartening symptom of a declining sense of responsibility, and the remedy now suggested for this is even more disquieting. It has been proposed that except for a quorum at the begining of the day, the rule itself can be dispensed with to validate a continuing breach. It means that not even a tenth part of the House of the People need be interested in the nation's business, except for purposes of voting with or against the Government for which members can be summoned. In view of the apathy which is easily generated in the working of democratic institutions, no surer means can be conceived for making legislative work the business of an interested few while others are relegated to the role of instruments of support or dissent.

For the rest, the successful working of Parliament is in large measure a tribute to the functioning of Committees. They have undertaken much of the burden not only of scrutinising Bills but also of exercising a watch over the administration. Select Committees, composed of both Houses have assumed more and more jurisdiction in deciding the content of our legislation. The Bills which emanate from Government for introduction in Parliament or for publication to elicit opinion no longer represent a definite stage in the expression of official policy. Government's policy on legislation is itself being shaped in the course of its participation in the proceedings of the Select Committees—except in those measures which it deems necessary for reasons of security or other political considerations on which the executive has definite objectives which it would be reluctant to let a Committee judge. This has the advantage of making Parliament feel that the legislation proposed is not the sole work of the executive, while Government can generally intervene, if necessary, to resist provisions to which it is opposed.

This technique has some disturbing implications. In the case of the Companies Bill, for example, it showed that Government's policy could at no stage be taken as settled and, secondly, that sometimes even the Government could become powerless to control legislation. The latter prospect introduces some of the uncertainty which surrounds American Congressional legislation, where Committees often decide what laws the legislature will support for implementation by the executive. In theory, the freedom of Select Committees in these cases cannot be disputed but, in practice, there is an apparent divergence between the Government's original policy and what it is made to accept later. Such divergence introduces instability and would be understandable only in respect of social legislation, like marriage and succession laws, where the Government need not be fully committed to any specific course of action. Even in these fields, too much uncertainty about legislation, as in the Hindu Succession Bill, may prove undesirable and, in this particular case, the Joint Select Committee has succeeded in creating more problems than it has solved by securing a free rein to alter the provisions in the course of passage.

Considering that more and more work is thus being done in Committees, which may often consist of as many as 45 members, and still be seriously imperfect, it seems undesirable that the final consideration of such legislation should be left to still smaller bodies which may result if the present quorum of 50 is also dispensed with. The tendency to insist on the acceptance of Select Committees' views has gone to such an extent that a Minister seriously refused during the last session to discuss an issue on the ground that the Select Committee had already dealt with the matter. This has to be checked. Committees have indeed a very important role and it is inevitable that more and more of Parliament's work should be delegated to these smaller bodies. It would not, however, follow that Government can allow itself to be so lax or indifferent as not to care to place before the public and Parliament something as near as possible to what it considers necessary when it frames a Bill. What could be regarded as exceptions, due to special reasons in individual cases, cannot be treated as settled practice.

The useful work which Committees of Parliament can otherwise do has been very well shown by the diligent investigations of the Estimates Committee and the Public Accounts Committee which have brought to light administrative irregularities and organisational lapses which otherwise would have remained undisclosed because of the protective instincts of the executive. The Committee on Delegated Legislation has not perhaps been equally active though it has also a vast scope for making itself felt. All these Committees are independent of the executive, unlike the Select Committees on Bills which are presided over or influenced largely by the representatives of the executive. This independence enhances the value of the Committees' work but it may also often lead to less attention being paid to their reports.

The legislative process is not indeed slow as the mere list of pending business may indicate. The problem is not indeed to make procedure more expeditious; a Parliament which can deal with the Companies Bill in the manner it has done and debate other matters besides like Goa, the Press Commission's Report, food policy, State trading and electoral law can certainly control if it wants, the work that lies ahead. The problem is to promote an active interest among legislators, not to encourage the lack of it. Partly this is a problem which political parties have to solve by choosing candidates with the requisite capacity and partly it is a matter of providing opportunities for training in parliamentary practice.

Hazards of Hindu Succession

MR. H. V. PATASKAR, Minister for Legal Affairs, made a speech in the Rajya Sabha last week which was as remarkable as the Hindu Succession Bill which he moved for the consideration of the House. The Select Committee's Report had been presented to the House only twelve days earlier and though it seems to have been published in the official Gazette of September 21, even the most favoured section of the community—the Fourth Estate—had not secured copies until the debate had begun. It is a fortunate thing that Parliament adjourned immediately thereafter giving more time for public opinion to consider the Bill. It might well have been otherwise if the Report had been presented slightly earlier, in view of the assumption made by Mr. Pataskar that he owes no duty to a wider public in such matters. In matters solely concerning the Government's administrative exigencies, such routine haste may be inevitable but that is not a principle which could apply on all fours to social legislation which would deeply affect every Hindu family and its members in some way or other. The most amazing thing was that Mr. Pataskar could seriously urge that the Bill has been before the public since May 1954—when he and other ardent supporters of the Bill claim in the same breath that it has been changed so completely in the Select Committee that it bears little resemblance to the original.

Such overzealous haste in carrying through the measure would be excusable if the Bill itself were without serious flaws. The eleven dissenting minutes in the Report have indicated not merely the natural disagreements in principle of persons with different approaches to the question of social reform but also the existence of considerable confusion of purposes and drafting which have shocked even those who agree with the broad objectives. The penultimate stage in all major legislation—which is consideration by the Select Committee—is normally the occasion for a final check-up of the drafting to see if it carries out the objectives. But here in this case not only have new objectives been introduced in a casual way but also grave new doubts have been created about the ways in which they are pursued. Mr. Pataskar only confirmed in his speech that the questions raised in the dissenting minutes were all vital and well-founded and not hypothetical.

What then compelled the Joint Select Committee to present its report before all the contradictions and anomalies were resolved? The Committee had insufficient time within the short extended period for the submission of its Report; and though a longer extension would have been justified, there had at least been one occasion in Parliament when the Law Minister's request for extension of time had been opposed openly by the Prime Minister. Presumably it has proved a deterrent for the leisurely consideration even of intricate issues of Hindu law reform. Slogans have long become substitutes for thought and policy and they are now also becoming substitutes for well-drafted legislation. So long as the major slogans—such as the daughter's equal share and the equality of illegitimate children with the legitimate—were there, no hardship or injustice was considered too serious to affect the course of lawmaking.

It is not denied that a host of complications will arise if the Bill is enacted into law in its present shape, making the point of succession an occasion to be mourned for more things than the passing away of a deceased intestate. The main question is not whether daughters should or should not be given a share and whether it should be a half or full share. Either a conservative or a radical approach is possible to this question; and if a radical approach was decided upon as necessary to public policy, the decision itself need not be challenged, even though it may be deplored by those who consider that abrupt changes break the cementing forces in Hindu society before new forces can grow to take their place. But positive confusion cannot be justified on the ground of radical reform and Mr. Pataskar practically conceded that there was enough room for confusion. The sentiment which caused the placing of illegitimate children on a par with other children for succession may, it is admitted, encourage permanent illegal relationships, particularly in view of the law against bigamy which can be evaded. Undivided sons in a coparcenary stand to suffer more than their divided brothers or sisters. Mr. Pataskar then propounded a strange theory that a mother of an intestate was nearest to him (even to the exclusion of a father) and that she should have an equal share with an intestate's wife and children even if she had shared in the same property before in her capacity as wife or daughter and even though the younger heirs have a much longer expectation of life during which property is normally intended as a help.

It is extremely absurd to frame a law of intestate succession for cases in which there is no scope for the exercise of testamentary rights. It is a contradiction in terms to assume intestacy without a testamentary power existing prior to it. The Mitakshara law of survivorship does not admit of such tinkering. Even conservative jurists in India had long ago conceded that if the case for modernization was to be fully accepted, the simplest course was to substitute the Dayabhaga for the Mitakshara. The Rau Committee had accepted it and the merit of the old Hindu Code Bill as finalised by the Select Committee in 1948 was that it adopted this simple strategy and avoided the muddle into which the law as now framed will land itself the moment it goes into operation. It would be wrong to contend that the society which can accept this Bill will find the old Hindu Code more radical; and, in any case, if the coparcenary was to be destroyed by introducing the daughter in effect as a coparcener, there is little left of the Mitakshara worth preserving. There is no need to retain only the restraint which it imposes on its members in holding and disposing of property.

Is it any consolation to hear from Mr. Pataskar that the Joint Committee "had no intention of causing" such hardships? It is enough to know from one of the dissenting minutes that "haste was the chief consideration in presenting the Report on this Bill". The Bill bears all the marks of haste. Some of the consequences were probably only the unintended products of the sloppy sentiments and wishful thinking which has guided its authors instead of the insight into the structure of Hindu society which is at the cross-roads today and the technique by which it could be moulded into a new pattern without damaging it in one violent shake-up. The sponsors of the Bill may be able to ward off most critics by dubbing them all as reactionaries but to those who would still prefer to go back to the old Hindu Code which did all that is now sought to be done in a more sensible way, they can have no answer.

Oil from Coal

THE Synthetic Oil Committee set up in May, 1954, with Mr. K. D. Malaviya, Union Minister for Natural Resources, as Chairman, is said to have submitted its report to Government. The Committee consisted of such distinguished scientists and industrialists as Dr. J. C. Ghosh, the late Dr. S. S. Bhatnagar, Dr. J. W. Whitaker, Dr. A. Nagaraja Rao, Mr. J. R. D. Tata and Sir Shri Ram, and it is reported to have recommended by an overwhelming majority, that a plant for the production of synthetic oil should be set up during the second Plan period in the Bengal-Bihar area at a total estimated cost of Rs. 50 to 55 crores. It is reported that the only dissentient was Mr. J. R. D. Tata, who is said to have observed that with her limited resources, India cannot afford the luxury of a synthetic oil plant at this stage.

The case for setting up such a plant arises mainly out of the fact that the indigenous production of petroleum products from her own resources is very small. According to the Committee, the prospects regarding the discovery of natural oil in the near future are not very bright. The refineries which have been, or are being, set up also depend on the import of crude oil from foreign countries. And even when all the three refineries go in full production, there would be a deficiency of 1.3 million tons as compared with the country's estimated requirements in 1957. Moreover, the refineries are not expected to produce aviation spirit at all and the country would require 85,000 tons of it per annum in 1957.

It is well-known that the cost of production of petrol from coal is higher than the cost of imported petrol. Nevertheless, the Committee are of the opinion that petrol should be produced from coal. Besides the obviously strategic reasons which have been stated above, it is felt that the establishment of an industry for producing oil from coal would create conditions favourable for the development of important and new branches of chemical industries in India. Secondly, there is already in the country an increasing accumulation of low grade coals, slack coal and tails from coal washings, besides the immense reserves of low grade coals with high ash content, which do not find proper utilisation. One of the most rational and economic uses for these coals is their utilisation at the place of occurrence for conversion into liquid fuels. If the U.S.A. with its plentiful supplies of natural oil at a relatively low price has gone in for synthetic oil production, why should India lag behind?

One of the important by-products of synthetic oil manufacture would be soft coke. There is a good demand for this smokeless domestic fuel in the Calcutta area and, according to the preliminary surveys that have been made, this demand would go up considerably if the price of the soft coke came down even by a couple of annas per maund. The Committee seem to be of the opinion that the by-product soft coke which would come out of the synthetic oil plant can be sold at a price much below the present market price for soft coke.

Mr. J. R. D. Tata's objections to the setting up of a synthetic oil plant are two-fold. Firstly, he disputes the contention that the prospects regarding the discovery of natural oil are not very bright. According to him, the prospects are bright and he points, not without some justification, to the various efforts at exploration which are now being made under the auspices of the Ministry of which Mr. K. D. Malaviya is himself in charge. Even assuming, however, that the prospects are uncertain, he argues that the mere setting up of a 300,000 tons plant would not make India even relatively independent of foreign oil. As regards the argument that the oil refineries are not expected to produce aviation spirit, he asks whether Government cannot make an arrangement with one of the three refineries to add the necessary equipment for making high octane fuel. This, he says, would be much cheaper than setting up a plant for the manufacture of synthetic oil.

His second objection is on the ground of cost. He disputes the estimate of Rs. 50 to Rs. 55 crores given by the Committee for the setting up of a 300,000 tons plant. According to him, the expenditure required to produce a worth while result would be not less than Rs. 100 crores—possibly more. In his opinion, an expenditure of this order cannot be justified in preference to many other urgent projects of far greater productivity and value to the country.

The Committee are reported to have given careful consideration to the views expressed by Mr. Tata, but have not been impressed. They hold that the prospects of finding natural oil are very uncertain. Even if, however, they were as bright the Committee point out that a considerable time (at least ten to fifteen years) must elapse before natural oil can be actually made available from the oil wells within the country. While the finding of adequate quantities of natural oil is problematic, it is not so with the manufacture of synthetic oil. "Once the Government decide to set up a synthetic oil plant, it becomes a certainty", is the final verdict of the Committee.

As regards the estimate of cost, the Committee do not share Mr. Tata's apprehensions. They still adhere to the upper limit of Rs. 55 crores and, in their opinion, this is an expenditure worth incurring during the period of the second Five-Year Plan—not merely for strategic reasons but also because this would open up the possibilities of development of a vast range of new chemical industries. The Government of India have accordingly decided to ask three firms of Consultants (Messrs. Lurgi Gesellschaft of Frankfurt, Germany, Messrs. Heinrich Koppers of Essen, Germany, and Messrs. M. W. Kellogg Company of U.S.A.) to prepare detailed Project Reports for the setting up of a 300,000 tons plant in a suitable location. A final decision will not be taken until these reports have been received. It might depend on whether the estimate of cost to be given by these Consultants is roundabout the figure tentatively arrived at by the Committee. If, however, it is not and if it is anything like Mr. Tata's estimate, the whole question may have to be examined afresh. Yet another factor which may intervene to influence the final decision is the total allocation of investment in heavy industries in the public sector. With the very large outlay needed on the Railways and the still difficult transport position, anything which adds to the strain on resources and on transport in the coal area may receive a lower priority.

THE WEEK'S NOTES

REORGANISATION OF THE STATES

WITH THE submission of the report of the States Reorganisation Commission on September 30 as scheduled, the great speculation has ended, though curiosity about its contents will persist for about a week more. Both at his Press Conference last week and in Madras, the Prime Minister declared that publication will not be long delayed and that implementation will be completed before the next elections. There was hardly any reason even for this much of postponement of publication. The report had in any case to be published and the subject of reorganisation is not one in which the Central Government alone can take final decisions because of the position of the State Governments and of general public opinion. In the last resort, it is not mere administrative convenience that will decide the issues involved. The appointment of the Commission was itself an important concession to public opinion, which was being led into all ways of thinking by interested political groups or individual politicians. That public has now to be persuaded, on the basis of this careful study, by a high-powered body as to what is good for it in the future. There was hardly any point therefore in delaying publication even by two weeks. If it was feared that some groups may start agitations against some of the recommendations, adequate preparations could have been made to deal with them, but such fears appear to have been unduly exaggerated. As the Home Minister said, the country is quite calm.

There have been leakages about the recommendations, some of which are probably misleading. But they have served a purpose in making the people prepared for various possibilities. In a country which achieved the peaceful integration of the States and the solution of the consequent problems of adjustment of boundaries and administration, there is no reason to feel that either the marginal changes in some States' boundaries or the maintenance of the status quo in others would become explosive. There must be tolerance of that minimum of criticism which is inevitable, but above all there must be tact in dealing even with misguided elements who may oppose the Report. If firmness is not confused with repression it would not be difficult to pacify, if not to persuade, them into acceptance of certain measures.

FRENCH WALK-OUT FROM U.N.

THE INDIGNANT walk-out staged by the French delegation to the current session of the U.N. General Assembly, and the violent opposition to the inclusion of the Algerian question on the U.N. Agenda would provide conviction where there were doubts whether the old colonialism was not receding fast from the world. Article 2 of the Charter states that the U.N. will not be competent to intervene in matters which are essentially within the domestic jurisdiction of the U.N. members. It is unfortunate that the ambiguous wording of this Article has always enabled the colonial powers, who have in the past secured a majority in the U.N., to avoid tackling issues which affect any of their interests. It is precisely on such flimsy grounds that France has protested against the inclusion of the Algerian question in the agenda and staged the walk-out—thereby going a step further than even South Africa which on questions of racial policies has stopped with threatening to leave the U.N.

France was clearly ill-advised in its action, for, as Mr. V. K. Krishna Menon said, what was intended was only discussion of the Algerian imbroglio and there was no move to censure France or its handling of its North African colonies. France's claim that Algeria is part of metropolitan France is as untenable as Dr. Salazar's claim that Goa is part of metropolitan Portugal. It is not understood why France does not claim Morocco too as part of the metropolitan country. Britain's sympathy for France on the Algerian issue is understandable—with its own troubles in Cyprus and the potential dangers in many other colonies.

At home, Premier Faure has been under heavy pressure from conservative interests and their allies not to introduce a change of policy in the North African territories. M Faure's Government has been driven to endless patching up, while some of his own Ministers have repudiated his African policies and are still continuing in office. What is most important, the struggle is not only between the Moroccans and the French, but between French moderates and extremist French settlers in Morocco, who have been indulging in unbridled violence to suppress individuals and organisations working for Franco-Moroccan co-operation. Frenchmen holding moderate views have been attacked by diehard French terrorists for pleading the nationalist cause. There is no security for newspapers espousing Moroccan aspirations. European organisations such as "Presence Francaise" and non-French settlers, like Spanish exiles from Franco's regime, are dead against any political concessions being accorded to Moroccans.

The puppet Sultan Arafa, whom the French diehards installed on the throne, has now fortunately left, but reports to the effect that his cousin has been authorised to look after matters relating to the throne, and that M Faure has no intention of permitting the former Sultan to return to Morocco, introduce an element of uncertainty. In Algeria, the people who have long suffered political subjection and economic inequity at the hands of France, surely do not want to be integrated with France, now or later. No wonder, Algerian nationalists have rejected the so-called reforms as what they demand is the right to complete self-determination.

THE WORKING JOURNALISTS BILL

DR. KESKAR has kept his promise and introduced the Bill to provide for the conditions of service of working journalists. On the most important question of minimum wages, the Press Commission's suggestions have not been accepted. The details have been left to be worked out by a Minimum Wages Board containing equal number of employers and working journalists with an independent chairman; the Board's decision will be treated like an award of an industrial tribunal. There is no mandate, as at present drafted, to make distinctions between regions on the basis of cost of living or rewards in comparable employments; but the circumstances relating to the newspaper industry in different regions have been regarded as relevant in fixing minimum wages, presumably in relation to the development or the lack of it of newspapers in certain languages. There is no reason why this should not be made more explicit; there are no conceivable regional differences which are relevant to minimum wages, in the case of English newspapers at least.

The Bill provides for a longer period of notice for retrenchment of editor, leader-writer, and news editor and such others as may be prescribed. It seeks to

compensate persons retrenched after the Press Commission's Report was published (but before the Industrial Disputes Act was applied in March last) by the grant of half a month's pay for each completed year of service. In future, working journalists will become entitled, on termination of service (except as a penalty), or death or resignation, to a gratuity equal to half a month's pay for each year of service put in before or after the Act comes into force. For establishments employing less than 10 working journalists, this rate has been reduced in respect of past service. A 40-hour week, earned leave on full pay for a month and medical leave for 20 days on half pay for each year of service and the application of the Employees Provident Fund Act, 1952, complete this list of minimum benefits now sought to be provided. The desire to equate journalists with workers has been stretched to the point of providing that recoveries from employers of the benefits of these provisions can be made as recoveries of revenue by the Collector. The difference, however, seems to be that, while an industrial worker whose emoluments do not exceed Rs. 500 per mensem will become "workman" (under another Bill), there will be no such restriction in the case of journalists.

CASTEISM AND UNTOUCHABILITY

THE SEMINAR on Casteism and Untouchability, held under the auspices of the Indian Conference of Social Work, concluded on a note of pessimism which was hardly warranted. To say so is not to justify complacency on one of the most serious social problems of our time. If the sources of hope had been discussed more fully—as sociologists should have—the discussion would have indicated the areas in which constructive work can concentrate instead of enumerating a list of points for State action. The Seminar made much of the unanimity of opinion that existed in its discussions but that was only a reflection of the unanimity that exists outside as well—indicated in the fact that no person of any importance or newspaper would question, for example, the radical measures to abolish legally all manifestations of segregation in public life. Even in private, there are few apologists for the old discriminations; a time lag between the new conviction and its observance in practice would be inevitable, considering the background of this age-old problem. There are no legal disabilities; there is an awakening of the social conscience. Education and economic independence can be fostered on this basis so as to make the social manifestations, in private, of discrimination look silly and irrelevant.

It would be wrong to hope that there will be both universal acceptance of non-discrimination as well as universal observance even before education has advanced and before social groups have been disturbed from their settled habitations and modes of life by the new influences from outside by better communications and contacts. The lack of faith, shown in the discussions, in the power of economic advance to break social barriers is surprising. No citizen may ever be compelled to dine or to marry against his will in order to promote social cohesion; and all that can be done to abolish disabilities arising from mixing is being done. The rest is a matter of time. The problem in other countries, where colour bar or segregation is practised, is that these things happen in spite of education, economic advance and an acceptance of equality otherwise. That in India there is no apologist for social stratification among the educated or among the politically powerful leadership is the most heartening feature which need not have been obscured by a somewhat dismal picture—which when based on individual instances can be very much overdrawn.

CURB ON COMPETITIONS

THE ZEAL of reformers can often outrun their capacity for practical achievement and the still open question about the success of prohibition would give some indication of how unexceptionable goals may not be realised in practice. The Bill to curb the craze for competitions by restricting the prizes offered and the entries that may be sent would be a good thing if it saves the money of those who are defrauded because of their unchecked gambling instincts. But even here it is the excess which distorts the picture, as in drink or betting, converting what may be an excusable, if not praiseworthy, pastime of the millions into a means of their impoverishment in which the extreme cases appear quite revolting. The Bill may succeed in abolishing these large-scale competitions which offer temptations of big fortunes to gather money on a large-scale—even if the limit of 2,000 entries can be evaded by subterfuge. The limit on prize moneys can be a great deterrent.

But the instinct itself is deep rooted in human nature and might need outlets. It is probably unlikely that the hundreds of respectable office-goers, and house-wives who dutifully fill in the coupons and await the all-correct entry will suddenly turn into gamblers. The saving may be spent on other things, even if they are not equally exciting. Solving cross-word and other puzzles for its own sake or for the restricted prize moneys will not tempt all those who are now slaves to this pastime. Just as they lose their excitement, the post office will have a lighter load and revenue and there will be less jobs for those who lived by scrutiny of coupons.

RAILWAY TRAFFIC CAPACITY

WHILE THE Railway Minister could take due credit for what the railways have done to carry more traffic this year than during the comparative period last year, —estimated at an average of 8 per cent—the fact remains that the railway transport system has hardly coped up with the mounting increase in goods traffic, following the remarkable increase in agricultural and industrial production. Replying to a discussion on the railway transport situation raised by Mr. Tulsidas Kilachand in the Lok Sabha, Mr. Lal Bahadur Sastri was optimistic in stating that the railways would increase their capacity by about 20 per cent by the end of November this year. Considering the chronic nature of the bottlenecks in the movement of traffic, it is a moot point whether Mr. Shastri was realistic in his appraisal of the railways' traffic capacity. As Mr. Kilachand pointed out, the paradox of this poor expansion of traffic capacity, despite the fulfilment of the financial and physical targets of the plan for railways, is to be attributed to certain growing complications in the railway system arising out of serious lack of co-ordination. In view of the considerable fillip to new industries foreshadowed in second Plan, and the anticipated imports of large consignments of machinery and other goods, railways will require a vastly enhanced transport capacity. Unless and until a co-ordinating authority is created so that all modes of transport are brought under its purview, it would not be possible for our railways to cope up with the heavy strain that will be imposed by the mounting traffic.

The transport problem cannot be solved by railways alone. Water transport and road transport are equally important, as they contribute a good deal in relieving congestion on railway transport. It was alleged in Parliament that water transport was "monopolised" by foreign concerns operating in India and that they were charging high rates. Mr. Shastri could only say that the Transport Ministry was giving serious thought to problems connected with road transport and shipping. It is worth while to know what progress has been made by the Rail-Sea Co-ordination Committee, recently set up by the Railway Ministry.



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TA 585

A Window on the World

WHO BENEFITS BY FOREIGN INVESTMENT?

By

ODYSSEUS

FOREIGN CAPITAL and foreign firms are officially welcome in India. In practice, however, it might perhaps not be unfair to say that popular opinion has its moments of uneasiness about them. Informed opinion realises that to compel all foreign interests to quit India (in the classic phrase) would impose a strain on India's economy. To buy them all out would be a waste of Indian savings and foreign exchange that could be better spent on opening up new industries. To seize foreign property without genuine compensation would at one stroke of the pen end India's ability to borrow abroad by ruining her credit and would besmirch her fair international reputation. The net result of such considerations is often apt to be a slightly frowning tolerance of the foreign business man. This, taken in conjunction with the exceptionally high cost of living to a foreigner in India, the very high rates of Indian income tax and the unforgiving severity with which it is applied, and the recurrent talk of setting a limit on all incomes beyond which it would not be possible to rise, suggests that foreign interests and personnel in India are more likely steadily to contract than to expand in the next few years.

But the basic question that needs to be put is: Who benefits by foreign investment? Is there something in it for both parties, or is it all one-way traffic—a drain running from the "exploited" to the "exploiting" country? In hopes that some authoritative Indian economist may be inspired to make a similar study of the contemporary effects of foreign investment in independent India, I summarise a remarkable investigation into the effects of American investment in Britain that has just been published by Mr. John H. Dunning, of Southampton university, in the latest issue of the Review of the District Bank (of Manchester).

Mr. Dunning begins by showing that over two-thirds of recent U.S. investment in British industry (amounting to $600,000,000) for the years 1943-53 has been by means of profits ploughed back by companies which were established in Britain prior to World War II.

BRITAIN'S EXPERIENCE

The most obvious result, increasingly evident year by year, is that goods previously imported from the

TABLE I

SELECTED NEWER BRITISH INDUSTRIES WHERE AMERICAN INFLUENCE IS MARKED

Production (1935-1954) and Trade (1938-1954) Statistics.

£ millions

Industry	Production 1935	Production 1954	Imports 1938	Imports 1954	Exports 1938	Exports 1954	Estimated U.S. share of British production 1954
ENGINEERING:							
Office Machinery	1.6	34.4	1.4	6.4	0.5	12.2	50—60%
Agricultural Tractors	(4.5	(122.4	0.4	0.9	0.5	42.9	55—65%
Agricultural Machinery	(	(	0.5	3.5	0.1	16.2	40—50%
Track-laying Tractors	—	9.4	0.2	(1)	—	4.8	50—70%
Earth-moving Equipment	1.1	32.7	0.2	2.2	0.7	16.6	considerable
Refrigerators	1.2	16.3	0.2	0.2	negligible	7.8	50—60%*
Domestic Electric Washing Machines	1.1	18.6	—	negligible	negligible	5.1	considerable
Petroleum Refinery Equipment	negligible	74.5	not available	not available	negligible	2.7	(2)
Industrial Instruments	2.5(3)	20|25(3)	not available	2.7	negligible	8.5	60—75%*
NON-ENGINEERING							
Abrasives	2.6	15|20(3)	0.6	2.8	0.4	2.2	40—45%
Refined Petroleum	7.7	280.4(4)	40.8	87.2	2.8	78.6	35—40%
P.V.C. Plastic Materials	—	9.0(3)	—	negligible	—	0.8	45—50%
Synthetic Detergents	—	35|40(3)	—	—	—	3.9	considerable
Anti-biotic drugs and Sulphonamides	—	12|15(3)	—	not available	—	5.9	60—75%*
Carbon Black	—	2.0	0.6	1.9	—	0.5	70—80%*
Total (estimated)	22.3	681.7—699.7 (approx.)	44.9	107.8	5.0	208.7	45—50%

* Including British firms manufacturing under American Licence.
(1) Classified for this year under the heading Agricultural Tractors.
(2) Although the proportion of output produced by U.S. firms in this field is relatively small, there is a marked American impact which takes the form of engineering and designing knowledge passed on by refinery consultants. All except one of these operating in the U.K. are of American parentage.
(3) Unofficial statistics usually derived from Trade Association data.
(4) Figures for 1953.

USA are now being produced for the first time on any scale in Britain. Yet of perhaps even greater significance for Britain's economic future is the role which these commodities are playing in Britain's exports: (1) their proportionate share in total British exports is rising steadily; (2) Britain's share of the world trade in these goods is expanding.

US manufacturing subsidiaries, and jointly owned Anglo-American enterprises operating in Britain, produced in 1954 about £500,000,000 worth of American styled and designed goods, and probably half as much again of this value was turned out by British firms manufacturing under US licences. This compares with approximately £140,000,000 worth of manufactured goods directly imported from the USA (excluding defence equipment). In other words, of the "American" products bought by British consumers in 1954, nearly four-fifths were manufactured in Britain. In 1938, the probable value of such goods produced in Britain was £150,000,000 or about three-quarters of the amount consumed.

Table I shows some of the main implications of these trends. The industries represented are predominantly of recent origin and in each case American influence in one way or another is marked. Before the war, of the very limited British consumption of such goods, some 70 per cent was imported, and usually the USA was the chief supplier. Now, with the exception of refined petroleum, Britain is well-nigh self-supporting as a home producer; indeed, of the 1954 output of these products, some 30 per cent was exported.

Over-all figures reveal that while, in 1938, consumption of these newer commodities cost Britain some £40,000,000 in foreign exchange, in 1954 there was a net inflow of £100,000,000. Mr. Dunning observes that any estimate of the possible "import replacement" value of this new production must necessarily be conjectural, but that it is thought that already the Fawley refinery has, for example, saved Britain over $150,000,000. Table I shows that development has been particularly marked in office machinery, agricultural tractors, and refined petroleum; in fact, Britain is at present the second largest world exporter of the first two products (which traditionally are particularly associated with American, rather than with British, enterprise), and the value of the refined petroleum now being exported is well above the value of Britain's traditional coal exports. The proportion of earth-moving equipment and domestic electrical appliances exported to total production is also impressive. For the most part, imports, though increasing slightly in terms of value, have dropped in quantity—especially in recent years as newly established US subsidiaries have gradually become more self-sufficient in their manufacturing and have ceased to import raw materials from the USA.

These trends are confirmed when one compares British with American exports of these newer commodities. Before World War II, the USA had a virtual monopoly in the world trade of the commodities listed in Table I; total British exports in 1938 were but 3 per cent of the US exports. By 1948, however, the proportion had risen to 20 per cent, by 1954 to 40 per cent, and today Britain is exporting substantially the same quantities of washing machines, refrigerators, agricultural tractors, and excavating equipment as the USA, traditional source of these products. Moreover, the indications are that this may be a long-term trend; certainly the easing of world currency difficulties has done nothing to reverse the situation—and Britain has in fact continued to improve her relative position.

From all this, it emerges that American branch subsidiaries set up in Britain have contributed substantially to bring about movements of trade favourable to Britain. Table II provides further confirmation of this by giving the percentage of exports to total production of one hundred and one firms—chosen by Mr. Dunning from all branches of industry—in which the average American shareholding is no less than 75 per cent.

The average amount exported by an engineering company subsidiary is in fact 48 per cent and that of a non-engineering subsidiary 35 per cent. Both these figures are well above the average exports of British industry as a whole—even though the export opportunities of many companies are limited by the existence of other American subsidiaries (of the same parent company) overseas. In cotton textiles, miner's lamps, radio sets, and agricultural tractors, American subsidiaries are exporting over 75 per cent of their output, and the percentage is hardly less in refrigerators, surgical instruments, bottling machinery, and electric tools. If one compares the exports of pre-war and post-war established plants, one finds that the average amount sent overseas in 1953-54 by the pre-war establishments was 35 per cent and 50 per cent by the post-war.

This week I have set out the facts compiled by Mr. Dunning. Next week, we will examine their significance. Please keep this issue by you for reference.

TABLE II

EXPORTS OF AMERICAN SUBSIDIARIES—1953-54
(Based on sample of 101 firms)

Per cent of Output Exported	Engineering Firms		Non-engineering Firms	
	No.	Percentage of Total	No.	Percentage of Total
0—20	4	7.3	16	34.8
21—40	12	21.8	17	37.0
41—60	23	50.9	9	19.6
61—80	11	20.0	3	6.5
81—100	5	9.1	1	2.2
TOTAL	55	100.0	46	100.0

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A DELHI DIARY
AT THE BARI FAIR

FIERA DEL LEVANTE

AND the last shall be first, and the first last. In much the way of the Biblical warning, Bari, my last port of call, has got in first. Not, indeed, that Bari can vie in history or even in general interest with Cairo, Athens or Rome. But from their very antiquity, the wonderful stories of Egypt and Greece and Rome can stay for yet a while upon the threshold. In the next three weeks, I shall return to them in the order in which the spirit moves; but the great fair of the Levant—held every year in September—has some morals for India which compel me to give it precedence. The first reason was that India was not at Bari—most conspicuous by her absence. With practically every Oriental country here—not excluding Yemen, Ethiopia, Egypt, Israel, Iran and Pakistan—questions were being asked why India did not choose as she did in 1953 and 1954 to make her appearance. Obvious answers are that India cannot be everywhere and she was in Milan this year; also that Bari is much smaller than Milan and, for Italy, the greater should include the less. Not so obvious to people in Bari—or to me—is why such forceful arguments do not apply to Pakistan. I saw the Pakistan stall full to overflowing with an interest in voluble Italian which was incomprehensible to me but which it was impossible to mistake. The South of Italy received an impact from Pakistan and practically every Middle East country. What this means in trade, I cannot say. I am certain it means something in goodwill.

FLATTERY BY IMITATION?

The truth is that the Bari fair has two claims for consideration which have been overlooked. In the first place, small as it is by comparison with Milan, Bari still presents the largest Oriental picture. One can well hope that Delhi's first great fair in October might exceed Bari's nineteenth—at least in its Oriental colour and representation. But until we establish our pre-eminence, would not participation in Bari present an opportunity for display in the Levant and the Middle East which we should take? Secondly—and here my politics shoots ahead of my economics—is it not worth while our recognising the larger purpose which Bari fills in the Italian picture? May I suggest that India shares with Italy what I shall discreetly describe as a North and South problem? In industry and commerce, it seems a law of nature in both countries that the North should race ahead. Bari is an attempt to stake a claim for the South. May we not treat this as an excellent moral; is not imitation still the sincerest form of flattery?

Let me back up a little, as the Americans say. In the elections of June 7, 1954, friends of Italian democracy got a rude and painful shock. The addition to the Communist vote came not where it was expected in the militant North and in Central Italy, but largely from the South that is, Sicily, Sardinia and Corsica. What has this to do with Bari? After all, the fair is in its 19th year and would seem to have been fairly neutral to politics in all these years. Yes and No; it has certainly, hitherto, been ineffective; but the Democrats are certainly trying now to make Bari the South's window upon the world. The "Fund for the South"—may we not consider this possibility, too, in India?—is expressing itself in many ways; it is appropriate that the largest Southern Italian fair should encourage small producers to exhibit their wares and their growing assurance in commerce. The big people from the North are all here—Montecatini, Fiat, Pirelli and Olivetti—to mention only a few. But there are the small people of the South—furniture makers, producers of glassware and so on. We in India should have much sympathy for a movement—Bari is really part of a philosophy—which seeks to arrest the disparity between the rich of the North and their weaker and, therefore, more unpredictable brethren in the South. We are not concerned at all with Italian politics. Perhaps, our participation should be entirely in terms of trade and commerce; but is there no room in our thought for an ideology, which belongs so much to what we call "the socialistic pattern of society"?

We are constantly engrossed with inequalities between persons. So, indeed, we should be; large inequalities are causes of social unrest; inequalities, which have no functional justification, are bad in themselves, and must be reduced by all peaceful means possible. But we seem to take quite quietly the most spectacular inequalities between areas. I do not have the good fortune to have with me the first five rounds of the Indian National Sample Survey. One has to travel light these days, and Prof. Mahalanobis has not produced his excellent studies on rice paper in vademecum form. However, as I remember, the average per capita income in the north of India in his classification is very much higher than it is in the South. Surely, if we intend to reduce inequalities between persons in the North and South—is not this an objective of the socialistic pattern of society?—we will need to give some thought, as the Italians are doing, not merely to raise national income at the rate of five per cent per year and to create four million jobs in ten years, but to see that the income and employment tends to come forth in the right places. I commend one more document to the Planning Commission of India—Italy's Ten-Year Plan.

ITALY AND INDIA

No one can go through Italy's economic history and her plans for the future without recognising the great parallelism which exists with India in certain large co-ordinates of the economy. Italy's Number One Economic Problem, like our own, is Unemployment. Like us, she has had spectacular success in raising production in the last four years and industrial production has risen at approximately the same rate. Real national income seems to have risen at just about 5 per cent per year, a little above ours, but the population problem remains obstinately stationary in terms of numbers for whom new employment has to be found. Both economies are dynamic in income terms and fairly static in unemployment terms. Both need to think again on the measures to increase productivity; productivity, it seems, is an enemy as well as a friend. It adds income but (alas!) it adds unemployment. Both India and Italy have to compromise. Italy's problem looks more easily soluble, notwithstanding her far more difficult and dangerous political situation. Miraculously, it appears, for a Roman Catholic country her population rise is slowing down; ours, perhaps because of improved public health, is rising. There is some room for optimism in India, some in Italy. The pessimists are, of course, scared in both countries; some of Communism, some of population. Since both countries have both viruses, would not some good exchange of thoughts help to aid constructive work, while the optimists and pessimists look on and wear ever brighter or gloomier faces on the sidelines?

ARGUS.

Economic Report from the U. S.

ATOMIC FAIR

(By Guy Sims Fitch)

WASHINGTON, Oct. 4.—No better evidence of United States progress in peaceful development of the atom can be found than the holding here last week of the nation's first private Atomic Industrial Fair. This exhibition, in which 74 companies exhibited their nuclear wares, was no less remarkable for the fact that it came only one year after the U.S. Congress authorized private operation and ownership of nuclear power facilities. Sponsoring the show, and concurrently conducting its third annual meeting, was the Atomic Industrial Forum. Additional evidence of the rapid rise of the American atomic industry lies in the fact that the membership of this private trade group has tripled within the past 14 months, having reached a total of 360 industrial research, educational, labour and governmental organizations interested in the peaceful atom.

A visitor to the new, 16,000-square-foot exhibition hall at the Sheraton Park Hotel could not help but be struck by the variety of the displays. The 8,000 persons who attended the fair during its three-day run saw a complete range of products, services and research material for use in harnessing nuclear energy. On view in the exhibition booths were no less than 21 scale models of reactors—atomic furnaces—built, under construction or projected.

This one fact underscores what may have been the most significant impression of the Fair and the Forum discussions: the era of private competition in atomic industrial power is here. This does not mean that within a year or two any large number of generating facilities will be fueled by atomic fission. Most of the experts who attended the Forum discussions—and there were some 1,200 of them—expressed the view that the atom is still years away from being an important power source. As one manufacturer of reactors and components put it, the main task at this stage is "to carefully evaluate the results of the reactor projects now being carried out." This point of view springs from the realization that the growth of a nuclear power industry is a long-range process, the full impact of which will not be felt for a decade or more. And farther ahead lies the prospect of industrial power from atomic fusion—which would make hydrogen power a boon of untold proportions to mankind.

American companies, the pioneers of peacetime atomic research, are intent on designing and building the most efficient and the safest reactors for the large-scale atomic industry of the future. Obviously, those companies that can make the most positive advances in reactor development now, will have the best chance of profiting from a thriving nuclear industry in years to come. There is no dissent from the view that atomic power generation can and will be fully competitive with more conventional power sources. Each of the major companies in the field is developing the kind of reactor it hopes will capture a large part of the future market. More than 200 American companies now have a stake in the peacetime atomic field—either as makers of reactors or suppliers of components. Since they are interested in fortifying their competitive positions for the future, they are pushing their nuclear development programmes as hard as they can—even though the outlook for immediate profits is far from bright. It was only a few months ago that the U.S. Atomic Energy Commission (A.E.C.) began to issue the regulations under which it will license private nuclear power plants. Yet American business men already have applied for licenses to build nearly 1,000 million kilowatts of new atom-powered facilities. Included are eight projects, one already under construction, that will be completed between 1957 and 1960. About $300 million is involved in these plans. Some of the money will come from the A.E.C., but most of it will come from private investment funds.

As a government agency, the Commission has the responsibility of protecting the public interest—its purse as well as its safety. It therefore must consider whether a private proposal gives promise of being an economic producer. But economics is not necessarily the prime consideration. The Commission is giving most careful weight to those industrial power projects that can add new knowledge to the reactor art, bringing the atomic age that much closer.

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WORLDGRAM

AGRICULTURE

New Process Makes Fine Paper From Bagasse: W. R. Grace & Company, a United States organisation whose interests have been largely in the development of South and Central American agriculture and in American air and water transportation, has announced the development of a new process for the making of a high grade commercial paper from bagasse. The new process is a continuous quick-pulping method in which bagasse (the fibrous residue of sugar cane after the sugar is extracted) is transformed directly into pulp as it leaves the sugar mill. The ordinary process for pulping bagasse takes several hours, but the new method takes only 5 or 10 minutes.

*

Plan for Farmer's Bank in Thailand: The Thai Ministry of Agriculture plans to establish this year a farmers' bank. The bank would be governed by a committee of three persons, to be appointed by the Cabinet. Its capital would be 500 million baht, the initial capital to be 50 million baht and the remainder to be supplied by the Government at the rate of 20 million baht per year. With land as a guarantee, farmers would be able to receive loans of up to 1 million baht, with interest at 6½ per cent a year, compared with interest of 44.7 per cent per year charged by many moneylenders. Income for the bank would be from bonds, interest, and the sale of shares.

*

World Rrice Crop: World rice production in 1954-55 is now estimated at 261,200,000,000 pounds, or only 4.4 per cent less than the all-time record harvest of the year before, according to the U.S. Department of Agriculture. The 1954-55 crop is 17 per cent above the post-war average, covering the crop years 1945-46 through 1949-50. The Korean War period is not included because of the abnormalities created by the conflict. Rice production in Asia is down sharply from last year's large crop and Europe's harvest is less than last year's. Output increased again in Africa and North America and to a moderate degree in South America. There was a slight decrease in Oceania.

INDUSTRY

Standard of Dipentene for Paints: An Indian Standard specification for dipentene for paints has just been published by the Indian Standards Institution. The standard prescribes the requirements and the methods of test for this material which is used as a thinner and solvent for paints. The colour, specific gravity, distillation range, refractive index, flash point and test for neutrality have been prescribed.

*

Armouring Capacity of Hindustan Cables: A scheme for doubling the armouring capacity in the Hindustan Cables Limited, at a cost of Rs. 7.5 lakhs is under execution and is expected to be completed by the end of 1956. The company would then be able to produce up to 1,000 miles of armoured cables and meet in full the annual requirements of the Posts and Telegraphs Department. The demand of the P & T Department in 1955-56 was estimated to be 870 miles of cable of various sizes of which the Hindustan Cables Limited is expected to produce and supply about 545 miles.

*

Protection to Sodium Sulphate Industry: Government have accepted the Tariff Commission's recommendation that protection to the sodium sulphate industry may be withdrawn after expiry of the present period of protection which is up to December 31, 1955. The Commission has observed that the imposition of normal revenue duties applicable to unspecified chemicals will meet the needs of the industry. The protective duties on the three chemicals in question have accordingly been brought to the level of the revenue duties applicable to unspecified chemicals by a notification issued separately. The attention of the industry has been invited in the resolution to the Commission's recommendation that the industry should take all necessary steps to remove the various deficiencies pointed out by consumers and endeavour, meanwhile, to adhere very strictly to the tentative Indian standard specifications formulated in 1950.

*

Standard for Copper Bars and Rods for Electrical Purposes: The standard for copper bars and rods for electrical purposes prescribes the material of manufacture, the dimensional tolerances along with the tensile, electrical properties of the material and their testing etc. Since the International standard of resistance for copper is based on a standard temperature of 20 degree centigrade, the same has been adopted for the calculation of physical constants. A useful table, giving the constants, and their reciprocal, for converting resistance at various temperatures to the corresponding values at the standard temperature of 20 degrees centigrade, appears in an appendix. This standard has been prepared by the Basic Non-Ferrous Metals Sectional Committee of the Indian Standards Institution.

*

Improved Air Separator: An improved type of air separator for classification of powdered materials into definite grade has been developed at the National Physical Laboratory, New Delhi. The usual type of multi-vane separators available in the market are intricate in their design and are costly. The modification now introduced makes it possible to obtain any desired size fraction without making the design either complicated or costly. The modification can also be incorporated in the existing separators without difficulty. Classification of powdered materials is of importance in several industrial processes.

TRADE

Japan-Pakistan Trade Agreement Extended: The Trade Agreement between Pakistan and Japan of 1954-55 which was originally valid from September 15, 1954, to September 14, 1955 has been extended for the period from September 15, 1955, to January 31, 1956 by the Governments of Japan and Pakistan. The extension of the Agreement represents the earnest desire of both Governments to maintain continuity of trade between the two countries so as to achieve the aim of the Agreement to expand the trade to their mutual benefit. The main items of export to Japan from Pakistan are raw cotton, jute, hides and skins, chrome ore, etc. The main items of import from Japan into Pakistan include cotton textiles and yarns, rayon and other textile yarns, iron and steel and other metals, capital goods and machinery, chemicals and dyes.

*

Foreign Sea and Air-Borne Trade of India in August 1956: The provisional figures of foreign sea and air-borne Trade of India on private and Government accounts during August, 1955, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: Merchandise, excluding transit trade of Pakistan but including that of other land frontier countries: Exports Rs. 56.28 crores, re-exports Rs. 32 lakhs (transit trade negligible); imports Rs. 44.79 crores (transit trade negligible). Total trade Rs. 101.39 crores. Treasure: Exports of currency notes Rs. 8 lakhs, others negligible. Imports of gold Rs. 1 lakh, of currency notes Rs. 77 lakhs, others nil. Balance of trade: The merchandise import figures are exclusive of the value of certain

consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures and to the exclusion of figures for transit trade the total value of exports (including re-exports) of merchandise, gold and silver exceeded the imports by Rs. 11 crores.

*

Export of Rice in 1954-55: Indian rice was exported to 24 different destinations in 1954-55. This was stated by the Minister for Commerce and Industry, Sri T. T. Krishnamachari, in the Rajya Sabha. The average f.o.b. price during 1954-55, based on quantity and value of exports made during the year, worked out at Rs. 588 per ton.

*

Promotion of Intra-Regional Trade in Terms of Bandung Resolution: Measures taken by the Government of India to promote intra-regional trade were detailed by Sri D. P. Karmarkar, Minister for Commerce, in a statement laid on the table of the Lok Sabha. Sri Karmarkar said that firmly believing that multilateral trading promoted expanded international trade, India had, except in exceptional circumstances been following a policy of multilaterialism Sri Karmarkar added, India had been organising increasing number of exhibitions in the countries of East and West Asia. Before the end of the year, the Government of India would take part in the Adisababa Economic and Cultural Exhibition, Ethiopia, and the International Exhibition, Cambodia. Discussions, were proceeding for holding an exhibition in Burma on a co-operative basis. An Indian Industries Fair will be held in New Delhi by the end of October. Trade delegations to the countries in the region were either being organised by Government or were being sponsored by them more frequently.

*

Export Of Ammonium Sulphate From Japan: Prospects for export of ammonium sulphate during the new fertilizer year appear bright. According to industry circles, negotiations are now being conducted with Communist China for shipment of 300,000 tons of ammonium sulphate fertilizer and with the Philippines, Thailand, Indo-China and Brazil for about 50,000 additional tons. Talks are also to be held with Australia and India. Nationalist China was said actually to be desiring an amount as near as possible to 330,000 tons. In view of the big demand from Red China, industry circles believe the amount to be exported there will exceed last year's figure of 70,000 tons.

FINANCE

Loan to Burma: At the request of the Government of the Union of Burma the Government of India have agreed to give Burma a loan of 10 crores rupees. In addition they have also agreed to allow a credit to the extent of another ten crores rupees to enable Burma to finance her purchases in India.

*

Australian Loan Council Programme for 1955-56: The Australian Loan Council has decided on a States' housing and public works programme of £A 193.5 million for 1955-56. The total includes a special item of £A 3.5 million to be used for building storage facilities for wheat. The Commonwealth Government has agreed to make advances to the States during the first six months of 1955-56 on the basis of £A 190 million programme. At the end of the six months, the loan programme will be reviewed in the light of the funds available and the conditions in the loan market. If these conditions are unfavourable, the programme may have to be reduced. The Commonwealth will again finance its capital works out of current revenues.

*

Gold Coast to have Own Bank Notes: When the Gold Coast Minister of Finance, Mr. K. A. Gbedemah, ratified the agreement with a British firm to provide the Gold Cost with its own bank notes for the first time, he stressed the need for closely linking the currency with sterling for many years to come. The agreement was signed with the well-known firm Thomas de la Rue & Co., Ltd., which since the war has won contracts for printing bank notes for over 80 countries. The Gold Coast agreement is worth £125,000 and is for notes in denomination of 10sh, £1 and £5, with £1,000 notes for inter-banking use. The notes will not be issued until the Gold Coast becames independent.

*

Central Aid to Handloom Industry: The Government of India have sanctioned further grants and loans amounting to over Rs. 28,55,000 to eight States for the development of the handloom industry. Madhya Pradesh gets a loan of Rs. 7,95,000 and two grants of Rs. 25,000 and 7,500. Bombay gets a loan of Rs. 6,50,000 and a grant of over Rs. 1,76,000. A loan of Rs. 3,10,450 and a grant of Rs. 1,43,250 have been given to Andhra. Manipur has been given a loan of Rs. 1,05,250 and a grant of Rs. 28,800. Orissa has been sanctioned a grant of Rs. 70,000. Travancore-Cochin gets a loan of Rs. 39,800. Madras gets a grant of about Rs. 38,970. And a loan of Rs. 60,000 has been sanctioned to Mysore.

*

Rehabilitation Finance Administration: An amount of Rs. 969.62 lakhs has been advanced as loan to the displaced persons from West and East Pakistan by the Rehabilitation Finance Administration in the course of last seven years. Refugees from East Pakistan were given loans to the extent of Rs. 275.87 lakhs, while the remaining amount of Rs. 693.75 lakhs was advanced as loan to refugees from West Pakistan.

MISCELLANEOUS

Migration Between India and Pakistan: "Statistics regarding the movement of migrants between India and Pakistan have been kept regularly only with effect from October 15, 1952, when the Passport and Visa Scheme was introduced. Some information is, however, available in respect of the earlier period. This information is not complete or exact. A statement placed on the Table of the House have the required information on the basis of the data available with the Government of India". (a) Migration of Hindus from East Pakistan to India: 35 lakhs; (b) Return of Muslims who had migrated to East Pakistan earlier: 10 lakhs; (c) Migration of Muslims from India to East Pakistan: 15 lakhs; (d) (i) Migration of Hindus from West Pakistan to India: 47 lakhs; (ii) Return to India of Muslim migrants who had migrated to West Pakistan earlier: 1 lakh; (iii) Migration of Muslims from India to West Pakistan: 61 lakhs; (e) Excess of Hindu migrants from Pakistan over Muslim migrants from India: 17 lakhs.

*

U.S. Assistance for Rihand Valley Project: An Agreement between India and the United States of America was signed in New Delhi recently amending a previous agreement on the Rihand Valley Development Project of Uttar Pradesh. The Rihand Project is one of the most important irrigation and power projects of the U.P. Government during the first and second Five-Year Plans. The project is already being assisted by the Centre under the Indo-U.S. Aid Programme as $8 million have been allocated for the purpose of financing the purchase of equipment required for the completion of the project. The latest amendment provides that the rupee expenditure on the project up to June 1957, which is expected to be of the order of Rs. 7 crores, will also be found from the rupee advances that the Government of India is receiving as part of the loan content of the development assistance received from the U.S.A. in 1954-55.

NEWS IN BRIEF

INDIAN

Rs. 4½ lakhs have so far been given to Nepal for irrigation purposes under the Colombo Plan. In addition, an expenditure of Rs. 44,746 has been incurred up to the end of August, 1955 on staff deputed from India for these projects.

*

There were 20 diamond-cutting factories in India employing 260 persons during 1954. These factories were located in various places in the Madras State.

*

There were 1,686 registered tobacco factories in India during the second-half of 1954, employing an average of 1,01,046 labourers per day.

*

The Government of India have so far opened five basic schools in Andaman and Nicobar Islands. The anticipated approximate expenditure during the current year on these schools is Rs. 13,500.

*

Since December 1954 up to the end of May 1955, 46,58,909 persons were B.C.G. vaccinated all over India.

*

A mechanised drawing office for the compilation of National Atlas by 1960-61 is being set up by the Government of India. The Atlas will depict topography, climate and social and economic features of the country, as influenced by the environmental changes.

*

India has accepted a Canadian offer of an NRX atomic reactor under the Colombo Plan. This type of reactor is a high powered research and experimental unit of the kind now in operation at the Canadian atomic energy establishment at Chalk river.

*

The Central Social Welfare Board has drawn up a scheme for the extension of industrial co-operatives, on the pattern of the Delhi match factory, to other parts of the country.

*

The All-India Khadi and Village Industries Board has introduced two schemes intended to make khadi available to the rural population. Under the first, called the Agency Sales Scheme, 573 sales agents have been appointed to sell khadi in remote areas. The second scheme—"Vastraswavalamban"—provides for payment of subsidy to those who spin yarn and get it woven into khadi for their own use.

*

It is reported that the Madras Buildings (Lease and Rent Control) Amendment Bill, 1955, received the asset of the President on September 20.

*

Twenty foreign countries will exhibit their industrial progress and the assistance they can offer to industrialise India in the second Five-Year Plan period at the Indian Industries Fair, organised by the Federation of Indian Chamber of Commerce and Industry, with the assistance of the Government of India. The Fair will open on October 29 and will last till the middle of December.

*

The Central Water and Power Commission has taken up general investigation of the Godavari and the Krishna basins. The Commission will assess the overall irrigation and water potentials of the basins of these rivers, with a view to finding out the possibilities of development.

*

The Central Government have sanctioned a grant equivalent to two-thirds of the cost, limited to Rs. 12,68,000 for improving and bridging the Hardwar—Pipalkote Road. The State Governments request for additional grants aggregating Rs. 2.15 lakhs is under consideration.

FOREIGN

The total value of exports effected under the export incentive scheme in Pakistan, which was introduced by the Ministry of Commerce in July last year, exceeded Rs. 8 million during the nine months ended June, 1955.

*

The first International Conference on the use of Antibiotics in Agriculture will be held in Washington, D.C. October 19-21, 1955. Invitations to participate in the Conference have been extended to 44 of the leading research scientists of Europe, South Africa, Australia, Central and South America and the United States.

*

A four-week technical meeting and training centre on farm mechanisation and workshop problems is being organised for this autumn by the U.N. Food and Agriculture Organisation, in collaboration with the Government of Ceylon. The training Centre is for the benefit of Asian and Far East countries and will be held at Amparai, where the Great Gal Oya Development Scheme already has its base workshop.

*

A new trade and payments agreement between Indonesia and Poland was signed in D'Jakarta recently. The agreement provides for the doubling of trade between the two countries as compared with past years.

*

The output of steel in the U.S. during the first eight months of the year was 75.8 million tons, as against 58 million tons in the corresponding period of the previous year.

*

The fifth International Conference on Population and Family Planning, sponsored by the International Planned Parenthood Federation and the Family Planning Federation of Japan, will commence on October 24 in Tokyo.

*

The Imperial Chemical Industries Ltd. is using copper at the rate of 15,000 tons a year in its new copper tube factory at Kirkby (United Kingdom). The rate of consumption is expected to increase to 20,000 tons by the end of this year.

*

The world output of rubber during the first seven months of 1955 was 1,025,000 tons, as against 995,000 tons in the corresponding period of the previous year. The consumption during the same period was 1,087,500 tons, as compared with 1,005,500 tons.

*

The Eire Government has decided to grant complete income-tax and corporation profits tax relief on all profits from new mining enterprises during the first four years after work has begun and to reduce the normal tax by 50 per cent during the subsequent four years.

*

It is reported a new transatlantic record was set up by Pan American World Airways on September 8, when the DC 7-B Clipper Nautilus crossed the Atlantic from New York to Paris in 9 hours and 37 minutes.

*

TWA flies a total of 33,000 certificated route miles, of which 11,000 miles are transcontinental within the U.S. and 22,000 miles overseas, through Europe and as far east as Ceylon.

*

The Oxford and Cambridge team left on a 30,000 miles transcontinental rally on September 1. The object of this Far Eastern Expedition is to study some of the geographical and economic development in Pakistan, India, Burma, since 1947. The Expedition has the backing of the Royal Geographical Society, London, and the British Foreign Office.

ORIENTAL

IS PROUD TO ANNOUNCE

OUTSTANDING RESULTS OF THE 27th TRIENNIAL VALUATION

AS AT 31ST DECEMBER, 1954.

Profit for the Triennium **Rs. 7,09,73,739**

Bonus recommended by the Actuary

Rs. 18

Per Rs. 1000 per annum on With Profits
ENDOWMENT ASSURANCE POLICIES

Rs. 22½

Per Rs. 1000 per annum on With Profits
WHOLE LIFE ASSURANCE POLICIES

being an increase of **50%** over the Bonuses
declared for the previous Triennium

The Directors have decided to recommend to the Extra-Ordinary General Meeting of the Company to be held on 2nd November, 1955, declaration of bonus at the above rates.

Highlights of the Actuary's Report

Mortality The Mortality basis adopted for the Valuation was the Oriental 1925-35 Table. Actual deaths amount to only 40% of those expected on the basis of the Mortality Table adopted.

Interest The Valuation was performed on 2½ per cent. interest basis. The net rate earned during the triennium was 3.92 per cent.

Expenses 22 per cent. of future premiums have been reserved for future expenses.

Continued improvement in mortality, increased interest yield on the Company's funds and low expenses of management ensure future bonuses at attractive rates.

ORIENTAL GOVERNMENT SECURITY LIFE ASSURANCE CO., LTD.

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Head Office: Oriental Building, Fort, Bombay-1

In the Valley of Decision

THE ESTIMATES COMMITTEE ON COAL POLICY

WHEN most other constitutional mechanisms have failed to check the increasing power and ambition of the executive, it is heartening to find two Committees of Parliament assailing, from different positions, the growing errors of a grasping State. The Public Accounts Committee's discoveries of irregularities and worse in the Government's activities are necessarily in the nature of a belated post-mortem. On the famous "jeep scandal" involving the Indian High Commission in London, the executive has shown that it can get away with anything. The P.A.C. has retorted, in so many words, that it is not impressed, but it can do no more. But the Estimates Committee on the other hand has taken on a more positive role. It examines, seeks answers to its questions and then warns; and no Ministry can then say that it has not been warned. The latest to be placed in this awkward position is the Ministry of Production. In the last four reports the Estimates Committee has not only dissected the working of this Ministry but also proceeded to prescribe remedies.

The Estimates Committee's appraisal of the Hindustan Machine Tool Factory, which was formally opened by the Prime Minister this week, is very thorough. It provides confirmation in part of the verdict on this factory given by the British machine tool expert Mr. J. D. Scaife—which official spokesmen dismissed out of hand as a prejudiced view in order to conceal their shortcomings. But the Estimates Committee, which did not have the advantage of reading this expert's report, has independently asked the same questions and—like the Jesting Pilate—waits for an answer within three months, meanwhile reserving further comments. The report on the whole is a model of what constructive criticism can do to tone up the working of the public sector and curb its self-righteous assumptions about its virtues.

Why then did such a fairminded Committee suddenly drop a brick on the coal industry which is in the private sector? It may be that the Committee, which has found out that much is wrong with the State collieries also, wished to deal out blame very evenly. But in any case, it was not conscious that it was treading on the corns of the coal industry, which having been given an initial dose of shock treatment only in June and July last, has recovered slowly and has tried to convince itself that things may not be as bad in the next five years as they look. Though the Estimates Committee's Report was presented last month, the Report bears the date "June 1955" on its cover—showing that these reflections were recorded much earlier than the coal industry's discussions with the Planning Commission and the Production Ministry on future policy. There is apparently no conscious desire to unsettle things settled—if, indeed, they have been settled—and the alarums and excursions in Calcutta could have been saved if there had been some awareness of the parallel processes of Government and Parliament. It is improbable that the Estimates Committee's Report will reopen any settled issue, but since the expected statement on Coal Policy has not yet come forth, the Report may yet provide grist to the mills of the Production Ministry.

The Committee has not indeed been pompous or pontifical as some politicians are—in making its recommendations on the subject. It only says that "in the long run nationalisation of the coal industry is essential in the interest of industrial development". At the same time the Committee recognises that "Government have not sufficient technical manpower to take over immediately all the private collieries in the midst of other claims on development of the country in various spheres". This is followed up by a recommendation to the effect that the private sector may be given a further chance and some reasonable and adequate time to play its part and to continue to run the private collieries on certain conditions. The investment of adequate capital, employment of scientific methods, mechanisation and safety measures and improved labour conditions are not impossible or unreasonable conditions. The mistake, if any, lies in expecting that after delivering an ultimatum on nationalisation, private miners would bring in all this fresh investment, especially after having been deprived of constitutional safeguards and denied other assurances to make up for such deprivation. Indeed, the Committee proceeds in a subsequent paragraph to say that the State should not only own all new collieries (not new "enterprises" as defined in the Industrial Policy Resolution of 1948), but also take over private collieries engaged in raising metallurgical or high grade coal and others which do not adhere to standards of performance required of them.

This seems a non-sequitur but there has been a failure to see the link between nationalisation policy and the present state of affairs in the coal industry. There might have been predatory and wasteful coal mining in the past. The Coal Commissioner is reported to have said that "if nationalisation is postponed by 25 years and the industry is given a free hand",—the consequences will be serious. The postponement of nationalisation does not necessarily imply that the industry is given a free hand. The Coal Board and the Commissioner are there to see to it even now that certain safety and conservation measures are implemented. It is also irrelevant to say that after some years the mines will be depleted. Will the seams of coal stay for ever as they are if the coal workers dig them out in the name of the State instead of in the name of a private company? The coal that comes out depleting the mines will in either case go towards the same forms of consumption which are now determined in the national interest.

Either the Industrial Policy Resolution of 1948 meant what it said or it did not. If it did, no one could have expected substantial fresh investments after a firm notice of nationalisation at an uncertain date in the future. Even mechanisation would have been conditioned by the fear that if the sinking of a new shaft was not permitted to enable continuity of operations after the depletion of a working mine, the investment would depreciate in value because of lack of opportunities for use. Even so, there has been an increase in the last four years of about 30 per cent in the coal cut by machines and an 18 per cent increase in machines. The Estimates Committee had only to compare this with its own findings on what the State Collieries have done in these years. The Committee came to the conclusion that "careful scrutiny of the accounts of these State collieries is not being exercised". If this was the position four years after they were taken over by the Production Ministry, was there any reason to believe that in the next four years the Ministry would be able to erect an organisation which would not only produce the bulk of the additional coal under the Plan but also take over high grade coal companies and other erring members of the industry? The Coal Board, it is also recorded by the Committee, "has failed to fulfil the objects for which it was created". Would a different name for this agency—the Coal Commission—suggested by the Estimates Committee on the basis of Coalfields Committee Report of 1946—promise better results?

LEO.

ASHOKA CEMENT LIMITED

NOTICE is hereby given to all shareholders that the share scrips are expected to be ready by the 20th October, 1955, and as the share scrips are being made for fully paid shares, the shareholders are requested to remit the balance amount of Rs. 7-8-0 per share by draft or cheque drawn in favour of the Company or by Money Order together with the allotment certificates so as to reach the Company's registered office at Dalmianagar (Bihar) on or before Thursday, the 20th October, 1955, during office hours. The Share Certificates will be posted to the shareholders by the end of October, 1955, on receipt of Bank's intimation of encashment of cheques, drafts, etc.

By Order of the Board,
H. D. BISHNOI,
General Secretary.

Dalmianagar,
3rd October, 1955.

JARDINE HENDERSON, LIMITED.

NOTICE is hereby given that the Ninth Ordinary General Meeting of the Shareholders will be held at the Registered Office of the Company, No. 4, Clive Row, Calcutta 1, on Thursday, the 3rd November, 1955, at 11 a.m. for the following purposes:

(1) To receive and adopt the Directors' Report and Audited Accounts for the year ended 31st March, 1955, and the Balance Sheet as at that date.

(2) To confirm the Dividends already paid on the Preference Shares and to declare a Dividend on the Ordinary Shares of the Company.

(3) To elect Directors.

(4) To appoint Auditors and to fix their remuneration.

The Transfer Books of the Ordinary Shares of the Company will be closed from the 19th October to the 3rd November, 1955, both days inclusive.

By Order of the Board,
D. SMALLEY,
Acting Secretary.

4, Clive Row,
Calcutta 1, 29th September, 1955.

NOTE: Payment of any Dividend declared will be made only to those Members whose names are Registered in the Books of the Company on the 3rd November, 1955, or to their Mandatees.

No application for warrants will be necessary. Claims on behalf of holders of shares on blank transfer will not be entertained.

THE RAMAYANA
OF
TULSIDAS
IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

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

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

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

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

It has been issued in the following four editions:

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

POSTAGE EXTRA

The Manager,
THE HINDUSTAN TIMES,
NEW DELHI.

Special Articles

THE WORKING OF STATE COLLIERIES

IN its Fifteenth Report presented recently, the Estimates Committee has thrown light on the working of State collieries. The Committee's report for 1954-55 has a special bearing on the Government's proposal to expand State enterprise as a major contributor to coal production in the second Five-Year Plan. The target of coal production in 1960-61 is provisionally fixed at 60 million tons which implies an increase of 23 million tons above the current output. The share of State enterprise in achieving this increase of 23 million tons has been placed at 15 million tons, or approximately five times the present output of the eleven State collieries. The entire character of the problem of the expansion of the coal industry has now changed. The controversy whether "captive" collieries (of which State collieries form the largest and most vital part) produce a depressing effect on market collieries has ceased to be a real issue. In the next Five-Year Plan the iron and steel industry will demand increased coal supplies of the order of 7.5 million tons, railways 2.7 million tons on a modest estimate, building activity 3 million tons, cement 2.5 million tons and so forth in the total quantity of enhanced requirements. The expansion of the public sector in the coal industry may be inevitable. The crucial question, however, is whether the projected allocation of a share of over 65 per cent to the State in the expansion of the coal industry is realistic. It is only reasonable to seek evidence of the financial feasibility of this proposal in the results of the working of the State collieries in the last few years. This evidence does not in the least justify optimism over State participation on such a scale, unless the position is conceded that State enterprise must expand no matter at what cost to the tax-payer or the nation.

The overall picture of the financial results of State collieries, regarded as an entity, discloses the emergence of a net profit. The aggregate position is shown in Table I below:

TABLE I.

Combined Results of Financial Working of State Collieries

(Figures in lakhs of rupees)

	1951-52	1952-53	1953-54	1954-55
Gross Receipts	455.67	462.00	450.76	476.42
Working Expenses	444.38	400.79	449.41	436.13
Net Profit	11.29	61.21	1.35	40.29

Even from the angle of consolidated results, the trends in financial working do not indicate any progress towards stability. On the contrary, violent fluctuations in net profits are quite obvious. The peak year of profit—1952-53—is purely seasonal in character. It is clear that the reduction in working expenses in that year to Rs. 400.8 lakhs gave no indication whatever of normal economies since their level shot up again to the previous level which appears to represent the normal situation. The magnitude of sudden variations in revenue and expenditure is best exemplified by the next year and the estimates for 1954-55 will need to be taken with reserve.

The fallacy contained in accepting an integrated account of efficient and inefficient collieries is more misleading than is ordinarily believed. It not only conceals the burden of losses imposed by inefficient units but tends to hide from view the deterioration in the management of remunerative collieries. It is

TABLE II.

Results of Financial Working of Individual State Collieries

(Figures in rupees)

Group-A	1951-52	1952-53	1953-54	+Profit —Loss 1954-55
1. Bokaro	+99,15,726	+1,09,64,737	+1,07,57,058	+86,08,000
2. Kargali	—41,11,516	+ 3,33,086	+ 5,70,868	+ 7,30,000
3. Kurasia	+14,79,190	+ 4,54,725	— 5,07,617	+ 5,07,000
4. Argada	+ 5,29,920	+ 3,53,519	+ 1,65,926	+ 1,05,000
5. Bhurkunda	+ 1,09,358	+ 2,17,752	— 3,14,781	+ 48,000
GROUP: B				
6. Sawang	— 3,47,354	— 3,54,166	— 3,17,722	— 3,09,000
7. Jarandih	— 4,87,167	— 4,75,890	— 45,95,610*	— 81,000
8. Duelbera	— 5,17,565	— 4,52,074	— 1,85,371	— 4,00,000
9. Talcher	— 5,62,184	— 6,90,100	— 4,19,733	— 9,40,000
10. Serampore	—19,97,259	— 19,75,841	— 24,30,089	—19,70,000
11. Kurnurbaree	—28,81,674	— 22,54,946	— 24,97,765*	—22,69,000
Net Profit	+11,29,475	+ 61,20,802	+ 1,35,164	+40,29,000

* The digit "9" is obviously a printing error for "o" in one of these two figures as published in the Estimates Committee's report.

common knowledge that the reserves of many of the State collieries particularly in coking coal are rich. No fair appraisal of the working of the collieries can be obtained except on the basis of their individual performance. Table II sets out the net profits or losses of the eleven collieries separately from year to year.

Group A, comprising five units, normally operated at a profit, represents the best collieries owned by the State. Except in the case of Bokaro and Kargali, there is progressive deterioration in the working of this group and even in the case of Bokaro the improvement registered in 1952-53 and 1953-54 was not only lost but there was a distinct set-back in the last year as compared to 1951-52. The threat to the first two and most remunerative collieries in the immediate future, involved in the technique employed for removing the overburden, must not be minimised. The top strata of stone, ranging between a thickness of 150 and 200 feet in Kargali and between 75 and 110 feet in Bokaro, are now removed by manual labour. The sacrifice of mechanical equipment, on considerations of cost, has been purchased at the risk of serious shortfall in output, which is estimated at 40 per cent for Kargali and 20 per cent for Bokaro in the immediate future. Unless the position in respect of re-employment of the mechanical equipment, which is still lying idle with the supplying firm, is reviewed, the decline in production and profits cannot but take a grave turn.

The six collieries in Group B represent assets which are consistently operated at a loss. Good reserves, ready market and priority in transport have not been exploited to achieve self-sufficiency, if not positive profit-earning capacity. It can hardly be disputed that results would have been totally different under private management. Such improvement as is revealed in reducing the losses could not be maintained on a progressive basis and serious set-backs are typified by the sudden spurt in net losses to the extent of Rs. 46 lakhs for Jarandih and Rs. 24 lakhs for Serampore in 1953-54. The Indian Coalfields' Committee's expectation of decisive improvement in the working of all state collieries, following their separation from the control of the railway administration and operation under an integrated authority, has not been realised. The period under review represents their management under the unified and exclusive control of the Ministry of Production.

Lack of policy and laxity in control explain the failure of the departmental administration in revitalising these potential assets into remunerative undertakings. Constant shifts in management from one department or Ministry to another in the past eleven years undoubtedly had some adverse repercussion on continuity of executive policy, but its importance ought not to be magnified. The sources of lax control were inevitable in the pattern of management. Real administrative control cannot apparently be exercised by the executive from Calcutta when the collieries are spread over wide areas in Bihar, Orissa and Madhya Pradesh. The staff at the higher level, entrusted with real managerial responsibility, can function with effect only when it operates near the mines. But probably the most potent cause of lack of efficiency in financial administration, and consequent waste or extravagance, is the reluctance to decentralise accounting responsibilities, in spite of the emphasis placed on this urgent reform by the Railway Collieries Enquiry Committee. The authority of the Controller of Coal Accounts can hardly be exercised with strict vigilance over the normal expenditure of each colliery from a remote centre. No machinery can be so prompt and make its control felt so strongly as that of senior accounts officers for each of the collieries functioning along side separate audit sections. Rationalisation along these lines may help enforcing standards of economy to mitigate the shortcomings of departmental management. But final solution in better administration through public Corporations, on the basis of convenient groupangs of the collieries, ought to be decided upon without delay.

Surplus labour continues to be a drag on the financial resources of the collieries, though its dimensions have now been reduced to 1,500 from 8,900 in 1951. Retrenchment benefits, offered on attractive terms, promise to bring considerable relief. But in view of the ambitious scale of the Korba project, and other State projects which will produce output equal to the present production of the State collieries, relief through alternative employment will become readily practicable.

BASIC EDUCATION: COMPULSORY CHILD LABOUR

(By P. Kodanda Rao)

SPEAKING on the occasion of laying the foundation-stone of the Gandhi Vidya Mandir near Bikaner on August 28, President Rajendra Prasad was reported to have commended Basic Education sponsored by Mahatma Gandhi as in consonance with the needs and the way of life in rural India. He refrained, however, from going into the merits of the system. On June 30 last, Sri Sriman Narayan, the Secretary of the Congress Party, and Sri K. G. Saiyidain, Education Advisor, Government of India, issued a statement clarifying the concept of Basic Education, which they thought was needed. It was soon followed on July 4, 1955 by a statement of the Ministry of Education, Government of India, summarising its proposals for educational development under the second Five-Year Plan which, among other things, said that Basic Education was the objective, to be universalised as soon as possible. Though the die seems to have been cast, it may nevertheless be useful to discuss briefly the merits of the system.

The statement of Messrs. Sriman Narayan and Saiyidain affirmed that the concept of Basic Education was the same as was enunciated by Mahatma Gandhi, the Zaqir Hussain Committee and the Central Advisory Board of Education, and had two claims to superiority, educational and economic. It was superior educationally inasmuch as it was craft-centred, and economically inasmuch as it was self-supporting, wholly or partially, by the sale of the socially useful products made by the pupils as the basis of their craft-centred education. It also claimed that it was equally applicable to urban as to rural areas. It may be added that according to the Wardha school of education, the "Nai Talim", Basic Education was meant not only for the pre-college stage of education but also the University stage. ("Basic National Education" p.x.)

The "activity school" of education advocated "learning by doing". Mahatma Gandhi added "earning" to it, making the formula "earning while learning by doing". The "earning" was the more important element. The Mahatma, when he first propounded the scheme insisted that Basic Education should be self-supporting, and made it the acid test. Later he was willing to relax it a bit and be content if it was self-supporting as far as possible. In fact, the provocation for the idea was the "financing" of primary education. ("Compulsory Education in India", by K. G. Saiyidain, J. P. Naik and S. Abid Hussain, UNESCO, 1952, p. 130). "But much more important than the educational aspect of the experiment is its financial aspect, for the actual adoption of basic education as a national system depends largely on the question: Can it remove the financial obstacle in the way of compulsory education by making primary education entirely or at least partially self-supporting? (ibid., p. 133). If within five years Basic Education could not pay fifty per cent or more of its total recurring expenses, it would have to be given up. (ibid p. 140). Such emphasis on its financial returns is likely, if not bound, to over-shadow its educational advantages, if any. Whatever be the theory and the attitude of the higher-ups in the educational heirarchy, the more numerous inspectors of schools and the even more numerous teachers at the bottom would be tempted beyond resistence to pay more attention to the financial than the educational results not only because they are more easily assessed but also because the very continuation of the system and perhaps their jobs would depend on the financial returns. Mr. C. Rajagopalachari, an enthusiastic votary of Basic Education, described it as "work education" as distinguished from "activity education", and it is inevitable that "work" will eclipse "activity" for the sake of finance.

Mahatma Gandhi insisted that the child's education should begin with craft education for the production of saleable goods. The "Nai Talim" syllabus for the first grade, when the child is barely six years old, prescribed spinning for two hours a day for two hundred days in the year and the production of forty rounds per hour of the average count of eight to ten. If the product is to have saleable value, the craft must be practised as a skilled trade and not merely as an amateurish activity. Mahatma Gandhi advocated that the products should be purchased by Government, as he seemed to have realised that they had not much chance in the open market. If the Government purchased them at more than marketable value, it would amount to subsidising Basic Education to some extent and reducing its economic value.

If children from the age of six have to earn by their economic work in order to contribute to the cost of their education, it would hardly amount to free education, contemplated by the Constitution. The production of marketable goods would amount to a trade rather than education, for education is learning something new every day and not repetitive practice for acquiring skill to make and sell goods. If children are compelled by the State to labour at producing such goods, as the basis of their education, it is hard to distinguish it from "compulsory child labour," forbidden by the Constitution.

Basic Education, in the sense of "earning while learning by doing" is as old as humanity. Children have been at work as apprentices to their parents or others, at home or domestic workshop, in field or factory, earning part, if not the whole, of their upkeep, while acquiring valuable though informal education, cultural and vocational, outside the formal school. Indeed, over ninety per cent of the children are today receiving nothing but Basic Education, largely vocational and manual. If the State compels them to work for their "formal" education also, it will only add to the workload of the pupils. Reform is necessary to emancipate children from economic work until they are fourteen years of age, as contemplated in the Constitution. Their education should be the play-way, not the work-way.

Compelling children to do economic work when there are adults unemployed or underemployed and willing to work and earn and finance the education of children seems a great pity. "Let adults work and earn, and let children play and learn".

The educational value of Basic Education seems to be of doubtful value. To attempt to give a wide variety of modern knowledge and skills through one or more crafts, even if the economic emphasis be subordinated, seems to be educationally unsound. The late Sir C. R. Reddy, no incompetent and unsympathetic critic, feared that Basic Education would amount to "vivisection" of the children—rather a strong phrase. ("Report on Education in Mysore": 1949, p. 55). Even Mr. C. Rajagopalachari, in his speech to the Teachers' College, Madras, on the 17th February, 1953, confessed that the people who accepted Basic Education did so out of fear of Mahatma Gandhi and not out of conviction. If Basic Education had an assured economic value, it was likely that not only Governments but also private agencies with chronic financial needs would have jumped at it and practically universalised it by now without any prodding from the Central Government. As a matter of fact, few States have ventured to adopt Basic Education on the provincial scale, and fewer private agencies have accepted it. It is undesirable that the coercive power of the Governments, State and Central, should be invoked to force Basic Education on unwilling pupils, parents, teachers and the public in the name of loyalty to Mahatma Gandhi, who valued independent thinking in his followers.

It is noteworthy that it is far more difficult to find competent teachers for Basic Education than for current primary education, and far more expensive to train them. It is also interesting that, while Basic Education compels "pupils" to earn by their craft-work, the basis of their learning, to pay the salaries of their teachers, it does not compel the "teachers", who are adults and more skilled to earn by their craft-work, the basis of their teaching, to pay for their own salaries, like the trained weaver, for instance, who earns his living by his craft-work, while educating his son in it, and the son "earns while learning by doing".

It is best that all concerned should concentrate on the speedy universalisation of free and compulsory primary education of at least four years, rising to eight, as required by the Constitution, and of adult literacy, which are less expensive and more urgent and more easily attained. When this goal has been achieved, "activity education" may be universalised. The only tempting feature of Basic Education is its postulated financial return, but that seems to be its worst feature.



The Business World

FROM CLASSIC TO CLASSLESS CAPITALISM

By

CROESUS

I FEEL greatly obliged to, and, incidentally, encouraged by, what Mr. John Sherman Cooper, the U.S. Ambassador to India, said at the Bombay Rotary club last week. He, in fact, endorsed my firmly held belief—if I may be permitted that degree of immodesty—that we in India are pursuing an economic policy of our own which, while it is voluntary and democratic in concept, also perseveres, at the same time, in the ancient ethical standards which have illuminated our history and given light to the entire world. In other words, it is, in its own way, unique in a sense, in that it is neither totalitarian nor capitalistic (in the classical sense). And, since Mr. Cooper himself has openly testified to this system having yielded results as, for instance, when he declared that "it is an inspiration to free peoples that India has achieved its great economic progress under its first Five-Year Plan without coercion of the individual and in pursuance of democratic methods", I am again tempted to appeal to the powers-that-be in our country not to be in too great a hurry to jettison the present policy in favour of something which, at least to some sections of the public, smacks of totalitarianism. For the same reason, I am bound to say that, despite all the nice things that the U.S. Ambassador had to say of America's economic policy, we need not emulate the U.S.A. either. Let me, at this point, compliment Mr. Cooper on having made it very clear that (i) "India has chosen an economic system that is not entirely parallel to America's," and that (ii) "the United States understands and respects the right and duty of India to develop an economic policy suited to its own conditions and genius".

Mr. Cooper chose a very comprehensive subject, indeed, for his Rotary talk—"The Economic Aspects of America's Foreign Policy and Its Relation to Peace", so that it naturally made him dwell at some length on a description of the American economy. This was just as well, although he apologised for spending, according to him, too much time on this description. As he himself said, we can only strengthen the relations between countries not by superficial means but by knowledge, respect, and trust. Knowledge must precede respect and trust, and knowldge especially of the transformation of the American economic system so beautifully epitomised in Mr. Cooper's epigrammatic phrase—"from classic capitalism to classless capitalism"—should go a long way towards dispelling certain fantastic notions or "misconceptions" about the U.S. economic system.

The U.S. Ambassador listed four misconceptions namely, (i) that the American economic system is imperialistic and based on exploitation; (ii) that the American corporation is predatory and operates solely on profits; (iii) that the American economy is a war economy, and (iv) that the U.S. economy is wholly materialistic.

After pointing out that the American economic system supports its total foreign policy—"peace based on security and justice"—Mr. Cooper said that those who criticise the American economic system as imperialistic and based on exploitation are "somewhat behind the time" (Note the diplomatic mildness!) and that they are not describing capitalism as it is practised in the U.S. today". What is more, he called into question the underlying philosophy of Karl Marx himself. "Karl Marx", observed Mr. Cooper, "based his philosophy on the fatalistic assumption that the defects of capitalism are inherent and are above the will of men to affect them. But the history of the United States free enterprise system has shown that experience, the sound opinion and convictions of people can change the course of capitalistic development." Then he went on to list the landmarks in the history of capitalistic development in the U.S.—President Andrew Jackson's fight for the removal of all inherited restrictions on democracy (1829); Abraham Lincoln's conviction (echoed in the American Civil War of 1861) that a nation half-free and half-slave stood in the way of the hope of world freedom; the freedom that the great industrial revolution brought to America in the latter half of the 19th century, and the fresh impetus to the long American fight against monopoly and privileges by the two Roosevelts more recently, that is, in the present century—landmarks which fully justify his claim that "we have passed from classic capitalism to classless capitalism". But, Mr. Cooper thoughtfully hastened to add "....the United States is not evolving toward socialism, but has long since achieved most of socialism's human aims". This is truly a phenomenal revolution, the more so because it has been peaceful, which effectively disproves the totalitarian belief that rules out revolution except in terms of force.

There is a more or less general disposition, in this country as much as elsewhere, still to think of the American economy in terms of robber-barons. Mr. Cooper did well, therefore, to convince his Bombay listeners at least that the American corporation is anything but "predatory" and that it does not operate solely on the profit motive without significant restraints, by making the following points:

(i) While the large corporations continue to be a major factor in American capitalism, the number of small, individually owned businesses is steadily increasing.

(ii) The U.S. believes that the equitable distribution of economic opportunities and economic power must be balanced. The U.S. Constitution applies the principles of checks and balance as much to the economic system as to its political system, e.g. statute (passed 75 years ago) to prevent business corporations from monopolising or cartelising the U.S. economy; the Sherman Anti-Trust Law of 1890, which declares as illegal every combination in restraint of trade; disbanding of several trusts by President Roosevelt early in 1900; creation of the Federal Trade Commission in 1914, followed by a new Trust Law—the Clayton Law—specifically forbidding companies to gain sole control of any kind of business or to carry on any other form of unfair competition; Government regulation of large concentrations of power, and stricter regulation still of public utilities by Commissions which control the rates that may be charged for services so as to permit of only a very modest return on invested capital; widespread ownership of the shares of large corporations among the people; the great strength of organised labour which enjoys a large share of American income and commands tremendous industrial power (with over 17 millions in labour unions), and, above all, the self-imposed restraint on their conduct by big business itself—ownership is no longer taken to mean

the right to use one's property as one chooses; it carries definite social obligations. Even this impressive list is incomplete without Mr. Cooper's especial mention of the point that there is no labour party as such in the U.S. "not because the industrial worker is not politically conscious, but because labour has won its advance in co-operative partnership with the rest of the nation in politics and production alike". How one wishes that like the labour in the U.S., workers in India also were committed to the Indian system and democracy instead of to alien systems and foreign ideologies.

Another criticism of the U.S. economic system, which is as facile as it is general, has been that it is a war economy, meaning that it only thrives on war, which perhaps also carries with it the implied inuendo that America is a warmonger. To this criticism, Mr. Cooper's reply was brief, but yet effective; he merely pointed to the steadily advancing U.S. economy despite the sharply declining war orders. "Instead of being a war economy", he remarked, "the U.S. a backlog of millions of dollars worth of constructive, human-saving, wealth-producing projects which are vitally required for the national welfare". The U.S. Ambassador might well have added that America has also to share in the gigantic task of raising the living standards of underdeveloped and undeveloped countries.

Perhaps the most unexpected—also unsuspected—reply to the four criticisms that Mr. Cooper gave was reserved for the fourth and last criticism, namely that the American economy is wholly materialistic. Before hearing the American diplomat, I dare say, few could have had any notion of what Mr. Cooper was going to say. While not denying that America was materialistic, he claimed, it was all part of what the Americans call "the pursuit of happiness", which he went on to explain, was "something more than the quest for material things". Indeed he declared: "It is the sum total of our aspiration—both physical and spiritual". To most of us in this country, this may sound rather vague as vague perhaps as our notions of spiritualism might appear to Americans, but none of us, I can assure Mr. Cooper, will question his thesis that the atmosphere which surrounds individual freedom is of the essence of spiritualism, be it the occidental brand or the Oriental.

"ORIENTAL" REGISTERS FRESH VALUATION RECORD

By

CROESUS

FOR the third triennium in uninterrupted succession, policyholders and shareholders of the Oriental Government Security Life Assurance Co., Ltd. stand to benefit, and benefit by substantial increases too, in respect of their bonuses and dividends, respectively. Indeed, both the amount of bonus and the rate of dividend recommended constitute the highest in the history of the Company. The proposed bonus rates—it has been claimed—are also the highest bonus rates currently declared by an Indian company. These have been made possible by the excellent results disclosed by the 27th triennial valuation of the Company as at December 31, 1954.

When presenting the Actuary's Report before the shareholders and the policyholders as at December 30, 1951, it may be recalled, Sir Purshotamdas Thakurdas, the then Chairman observed: "While three years back bonus to policyholders was increased for the first time after high progressive diminution due to easy money conditions prevailing from 1933 onwards, I had anticipated that your Company had turned the corner of difficult times which have been pressing on the bonuses with increasing intensity for a period of nearly a decade and a half. I am glad to say that not only that anticipation has been realised but that, according to present indications the future also appears to be no less rosy than the present". That this anticipation of Sir Purshotamdas too was fully justified is now borne out by the Actuary's Report which discloses a profit of as much as Rs. 7.10 crores, as compared to Rs. 4.65 crores disclosed by the last triennial valuation. In view of the sharp rise in the surplus thus, it is not surprising that the Actuary has recommended a 50 per cent increase in bonuses to with-profit policyholders, that is from 15 per cent to 22½ per cent per Rs. 1,000 per annum on whole-life assurances and from Rs. 12 to Rs. 18 per Rs. 1,000 per annum on endowment assurances.

According to the Valuation Report, the new business figure for the latest triennium at Rs. 92.38 crores eclipses all previous achievements. There was an increase of 59,470 in the number of policyholders and an increase of Rs. 30.15 crores in the sum assured, as compared to the preceding triennium. There was a corresponding increase in premiums also from Rs. 3.54 crores in the triennium ended 1951 to Rs. 4.87 crores during the latest triennium. It is gratifying to note that there was a welcome increase in the interest income of the Company too from Rs. 4.98 crores to Rs. 6.47 crores or of Rs. 1.49 crores. Percentagewise, the increase in premium amounted to Rs. 12.62, that in interest, less income-tax, to 29.92, and, the total of both to 15.58. Among the factors that made for the excellent results as above were the all-round reduction in premium rates in 1954 which led to the writing of a substantially large volume of new business during that year, the attractive terms for staff assurance schemes, also offered during the same year, and the obligation for payment of estate duty created by the Estate Duty Act.

Explaining the several favourable factors that operated for life assurance business during the period in question, the "Oriental's" Actuary says:

"The triennium under review witnessed emergence of a number of favourable factors. The comparatively lower level of premiums in force subsequent to the premium revision in 1954, the obligation for payment of Estate Duty created by the Estate Duty Act, 1953, etc., served as a substantial impetus to the flow of new business and enabled the Company to write a large volume of business. The increase in the portion of the surplus exempted from tax from 50 per cent; of the bonus distributed to policyholders to 80 per cent, as a result of the passing of the Income-tax Amendment Act, 1953, has gone to reduce the income-tax liability of the Company and thereby has made a sizable contribution to the surplus".

The Actuary also takes a bright view of the future prospects, as is only to be expected in the prevailing circumstances. Thus he says: "Recently, the Finance Act, 1955, has increased the maximum amount of life insurance premia plus contributions to provident funds in respect of which abatement of tax is admissible from 1/6th of an individual assessee's total income or Rs. 6,000 whichever is lower, to 1/5th of the total income or Rs. 8,000, whichever is lower. This should serve as a stimulus for individuals to augment their life insurance cover to make up, to some extent, for the reduced

purchasing power of the rupee and thereby increase the prospects of a large volume of new business..... With the accelerated tempo of development envisaged by the second Five-Year Plan, both the national income and the per capita income can be confidently expected to increase rapidly, and a part at any rate of the enhanced margin for saving which would be available would find its way into life insurance".

A comparison of the latest results of valuation with those of the previous triennium shows that shareholders have benefited not only by the proposed increase in the rate of dividend for the three years 1955, 1956, and 1957 to Rs. 200 per share per annum, free of income-tax, but also from a transfer from the contingencies reserve fund, perhaps for the first time, to the tune of Rs. 3,57,600. But it must be said, in fairness to the management, that this is fully justified by the results of valuation; besides, even with the addition of the amount transferred from the contingency reserve fund to the shareholders' account, the shareholders' portion of the profit, including the tax thereon, works out to only 4.6 per cent. Without the addition of the transfer in question, this percentage is naturally lower at 3.8 as compared to 5.1 for the previous triennium and 4.8 for the triennium ended 1948. In other words, even with the transfer from the contingency reserve fund to the shareholders' accout, the shareholders' portion at 4.6 per cent is the lowest for the last three trienniums.

The Oriental's valuation results have benefited from both mortality experience and the average rate of interest earned. The mortality experience of the Company shows that the percentage of actual deaths among the lives assured with the Company to those expected according to the mortality table adopted in the valuation year worked out to an average of 40.4 for the triennium, as against 50.6 for the preceding triennium. The interest rate for the triennium as a whole at 3.92 per cent showed a substantial increase over the corresponding rate for the preceding triennium, which was only 2.85 per cent. To these favourable factors must also be added the record rise in the Company's funds from Rs. 63 crores at the end of the previous triennium to Rs. 78 crores at the end of the latest triennium. According to the Actuary, this increase of Rs. 15 crores is the largest in the history of the Company.

It is true that the expense ratio during the triennium was slightly higher at 24 per cent compared to 22.2 per cent for the preceding triennium. But as explained by the Actuary, this was mainly due to the increased outlay on first year's agency commission and other initial expenses on the large volume of new business completed during the triennium, especially during the last year of the triennium, thanks to the sizable reduction in premium rates effected in that year.

Now for a few remarks about the interest rate basis of valuation. The valuation has assumed an interest rate of 2-11/16 per cent as against 2¾ per cent assumed in respect of the previous triennium. This small increase of one anna in the rupee is fully justified, but, even if, for argument's sake, the rate had been assumed as only 2¾ per cent, it goes without saying, the surplus would have been very much more than that disclosed by the previous valuation. However, the following explanation offered by the Actuary in justification of a slight increase in the rate of interest for purposes of valuation bears reproduction:

"In view of the comparatively higher yield obtainable on new investments which is reflected in the increase in the net rate of interest earned during the last triennium as compared with the rate for the preceding triennium, the valuation was performed on a 2-11/16 per cent interest basis, being an increase of only 1/16th per cent, over the rate employed at the preceding valuation. Notwithstanding the increase in the valuation rate, the excess of the net rate earned over the valuation rate is much larger on this occasion and, in consequence, leaves an increased margin for future profits from the source of interest. The continued improvement in the mortality experience of the Company during the triennium and the further improvement that can reasonably be expected to occur hereafter again provides an increased margin for future profits".

CORRECTIONS

BOMBAY LAND BILL: In the editorial entitled "The Bombay Land Bill" appearing on page 508 of "The Eastern Economist" dated September 30, it was stated (vide paragraph 2) that "an official amendment has been tabled which would enable landowners to cultivate personally 96 acres, thus meeting partially the demand of the Karnatak group." The amendment had, however, been withdrawn by the time we went to Press, so that the Bill was passed into law without the amendment.

PROGRESS OF CO-OPERATION: In the Business World Article on "Co-operation with State Participation," published in the issue dated September 30, 1955 at Page 525, the following table should be substituted for the original:

OWNED FUNDS

(In lakhs of Rupees)

Name of Banks	(a) Share Capital	(b) Reserve	Total Deposits
Imperial Bank	562.50	635.00	231.00
Central Bank of India	314.53	400.56	124.00
Bank of India	250.00	352.00	60.00
Punjab National Bank	87.50	105.00	76.00
Bank of Baroda	100.00	128.00	35.00
The United Commercial Bank	200.00	86.50	40.00

COAL WAGES: In the Special Article on "Rate of Rise of Coal Wages", Table B, page 485 of the issue dated September 23, 1955, the explanatory words in bracket ('Rupees in Thousands') crept in by error. They should be deleted.

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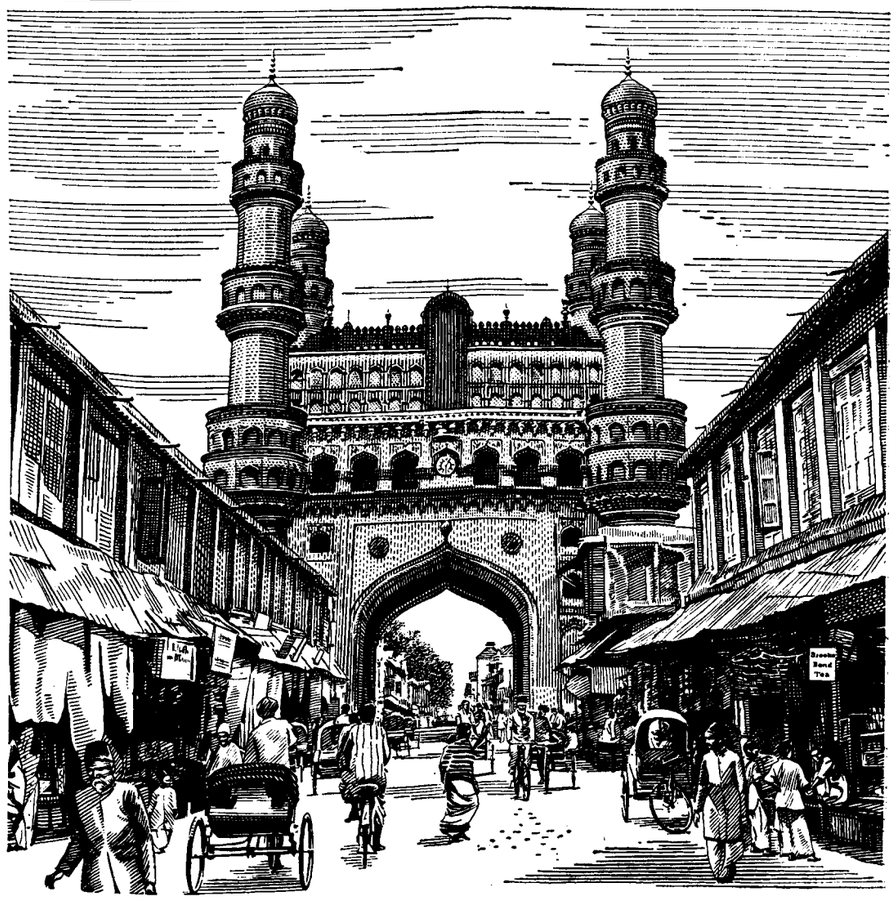
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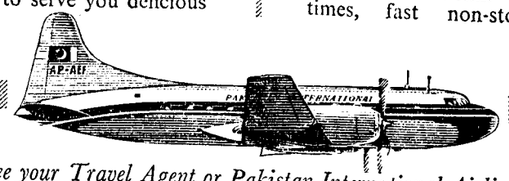
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BUSINESS NOTES

FACT FINDING ON TEXTILE EXPORT

THE TEXTILE Delegation to South and South-East Asia, sponsored by the Cotton Textiles Export Promotion Council, has submitted its report to the Council after completing its exploratory tour of Burma, Thailand, Malaya, Indonesia and Ceylon. The Delegation (which left India on June 25 last and returned recently), has called for a standardisation of bale packing, restrictions on the quantity of two-part pieces and greater attention to sales promotion technique. If measures are taken immediately to effect improvements in these fields, the Delegation feels the country would be assured of brighter prospects for Indian cotton textile export trade in these markets.

In almost all these regions, it is Japan which has proved to be a serious rival to India. In Thailand, for instance, the extent of the increasing Japanese hold on the market is evident from the figures of import of Japanese textile goods into that country. Thus, Thailand's offtake of Japanese textiles improved, step by step, from 40.59 million yds. in 1952 to 85.52 million yds. in 1953 and to 116.51 million yds. in 1954. In contrast, India lagged woefully behind, with 1.89 million yds. in 1952, and 1.80 million yds. in 1953, although the position improved somewhat in 1954, when she sent 3.47 million yds. Japan's remarkable success in Thailand thus is mostly due to her organisational efforts. Unlike other exporting countries, she has her own organisation in Bangkok solely charged with the task of promoting sales of Japanese goods.

Again, in the case of Burma, the alarming fall in exports of piecegoods from India is not all due to the abolition of the preferential tariff by that country. Until the middle of 1954, that is before Japan stepped in, India was the largest supplier of cotton textiles to Burma. From July to December, however, there was a steady decline, following Japan's entry into these markets. Indian textile exports to Burma declined from 9.73 million sq. yds. in July to 1.1 million sq. yds. in December. During the same period, it may be noted, Japan's exports of piecegoods to Burma improved remarkably, from 5.90 million sq. yds. to 8.62 million sq. yds. It is true there were certain technical difficulties, like the sudden abolition of the O.G.L. By the Government of Burma, over which, of course, Indian mills and exporters had no control. But they certainly contributed to the decline in exports of Indian piecegoods which had even otherwise been adversely affected by the utter disregard to certain aspects of sales technique that would have paid rich dividends at no great cost. There were general complaints that Indian mills and exporters did not entertain small orders which seem to be in favour in Burmese markets; nor did they take care, it was alleged, to cater to actual requirements in regard to colours and designs. Again, lack of standardisation of Indian cloth was a great handicap and Burmese importers complained they could never be sure of what they were buying from Indian shippers. Cases of bad packing, unscientific markings and labellings were quite common against Indian exporters of cotton textiles not only from Burma but from almost all the countries which went in for Indian piecegoods.

In the light of the Delegations findings as above, it is imperative that the concerned interests should take note of what it has to say about matters pertaining to standardisation of bale packing, restriction on the quantity of two-part pieces in exports and discouraging of exports of defective cloth and institute immediate measures to tackle the problem realistically. The need for safeguarding our export markets in these countries gains added significance when we take into account the recent increase in the export of communist textiles into the free world, which include some countries in the South-East Asia also, such as Malaya and Indonesia, the two accounting for an offtake of four million yds. of textiles from the communist countries in 1954.

SALE PRICES OF STEEL INCREASED

SALE PRICES of steel have been raised from 1st October all round, although, as usual, no uniform increase has been announced by the Iron and Steel Controller, but the quantum of increase has been kept at a modified level for items commonly used by the vulnerable class of consumers. Varieties of steel, like galvanised and corrugated sheets, which are in general demand for domestic and agricultural purposes or for the processing industries have been selected for a lower surcharge. But the average increase comes to Rs. 80 per ton. With this fresh increase, the consumer price has been raised to an average of Rs. 500 per ton. It is quite substantial and easily the highest among the four increases levied in the course of the last three and a half years. It comes rather too soon after the previous increase made effective from 1st July last. The increase then imposed was Rs. 20 per ton on the average. The quick succession in which this second increase during the current calendar came and the high amount by which sale prices of steel have been put up are obviously the result of the pressure exerted by the rising world steel prices. Even so, Indian consumer prices of this basic metal will be below world prices by Rs. 150 per ton.

This increase was inescapable for two reasons. Consumption of imported steel is rising at a rapid rate. The latest Trade and Navigation Accounts for the month of May 1955 disclose that imports of steel rose from 1,946 tons in April-May 1954 to 15,169 tons in April-May 1955. In terms of value, the gap has widened from Rs. 15.44 lakhs to Rs. 96.26 lakhs. This particular bi-monthly trend cannot be treated as purely temporary and on the other hand it is clear beyond doubt that the volume of imports in the future will be large due to the pressing requirements of development projects. The heavier strain which increasing imports are putting on the Steel Equalisation Fund needs to be relieved, if the benefit of the pool price mechanism is to be retained over a long period. About the desirability of this objective there is no room for any two opinions. In this context of the burden on the Equalisation Fund, another relevant and important development must be taken into account. An interim increase in the retention prices of steel has been granted to the indigenous industry from 1st April last which raises the retention price of steel to Rs. 385 per ton. It is now universally agreed that part of the development finance required by the home steel industry should be procured through higher prices paid to producers. In the light of this situation, the Tariff Commission's decision on the pending enquiry on steel retention prices can very well be anticipated. An increase in retention prices directly goes to reduce the rate of future contributions to the Equalisation Fund which is another factor necessitating an upward revision of sale prices.

NATIONALISATION PRE-DETERMINED?

IF, AS is now evident, the Government of Mysore was pre-determined to nationalise the Kolar Gold Fields mining companies, "as a matter of high policy of the Government" and is now not prepared to enter into "minor controversies with anyone", (to quote the words of the Chief Minister, Mr. Hanumanthaiya), where was the necessity for that State Government to appoint a non-representative Committee whose verdicts were a foregone conclusion, and for official spokesmen to indulge in accusations against the company management, compelling the latter to repudiate the allegations and lay bare certain facts which do not redound to the credit of the State Government?

In his annual address to the companies' shareholders on September 29, Mr. M. A. Sreenivasan, the Chairman, gave a factual account of the events which have led to the Government's decision, and reiterated that it was the Government of Mysore, and not the company management, that had tried to bypass the provisions of the 1949 Agreement, particularly the express provision for arbitration in the event of a dispute regarding the working of the Agreement. Neither the State Government nor the Siddaveerappa Committee, as Mr. Sreenivasan pointed out, has substantiated the allegation that the companies have been guilty of departure from, or violation of, the Agreement. The Committee itself recommended only enhancement of royalty to 10 per cent, and did not mention anything about nationalisation. The Government has not repudiated the Company's repeated declaration that, it was due to the unforeseen fall in the price of gold since 1952, that practically no contribution or additional royalty became payable by the company. Yet the management has been offering to enter into a fresh agreement so as to meet any reasonable demand.

The Government of Mysore has not explained how nationalisation of mining companies will add to employment or provide better benefits to labour. Further, nationalisation may not bring additional revenue to the exchequer; on the contrary; in its actual working, the State may find the industry less remunerative than it has proved itself under private enterprise, despite its long years of practical experience. Nationalisation will also mean payment of large sums of compensation. What apparently looks like a silver lining is the assurance received by the management from the Government of India to the effect "no step will be taken without a thorough and careful consideration of all the aspects of the matter." A team of officers of the Central and State Governments have recently visited the mines to examine the implications of nationalisation. Its findings will be awaited with interest.

JAY ENGINEERING'S BIG STRIDE

LALA SHRI RAM'S plain account of the working of the Jay Engineering Works during the year ended March 1955, unfolds a story of solid achievements Production, employment, wage-bill, sales, profits, service and sales centres as well as training centres have all been on the increase. If the company's shareholder had the good luck to receive a higher dividend at 12 per cent, certainly the greatest beneficiary of the increasing scale of production has been the consumer. The price of the sewing machine produced at the works has been reduced by a sizable margin of Rs. 25 to Rs. 175. This price reduction comes fairly close after the earlier reduction of Rs. 20 effected in July 1953. Even at the present price of Rs. 175, the price of Jay Engineering's Usha machine is below the price of machines of other makes in the market by 60 per cent. This is one of the few indigenous industries which could dispense with tariff protection even while in infancy. The impact of competition from imports of cheaper varieties in a buyer's market cannot, however, be ignored and there is still the need to continue restrictions on imports. As soon as the needle producing plant is installed the manufacture of the company's sewing machine will be 100 per cent indigenous. Exports had to be curtailed, in spite of higher production to meet the home demand and build a stable market.

Among the other products of the company, mention ought to be made of electric fans. It speaks for the progressive outlook of the management that it aims at placing within the reach of the consumer from the lower income group a table fan for Rs. 60 and a ceiling fan for Rs. 100. In matters of tax policy, there was big relief in the total withdrawal of the proposed excise duty on sewing machines and also convenient relief in modification of the excise duty on electric fans into specific duty at the rates of Rs. 5 per table fan and Rs. 10 per ceiling fan. But the application of the amended S-23 A of the Income Tax Act to the company has raised difficulties regarding repayment of the development loan to the Industrial Finance Corporation and threatened the future position of reserves. Sympathetic treatment is expected to its request for exemption.

RUBBER PRICE

THE ENHANCEMENT of the price of rubber from Rs. 150 to Rs. 155-12 per 100 lbs. meets almost fully the demand of rubber growers though they would have preferred a rise of Rs. 6-4 to cover the full cost of the increased excise duty, as they had urged. Notwithstanding this further rise in Indian raw rubber prices, it is significant that there is still a substantial gap between India and foreign prices of natural rubber.

Prices have been galloping at an astounding rate in foreign markets and are now ruling round Rs. 200 per 100 lbs., the highest for four years. During the first-half of this year, production of both natural rubber in Malaya and synthetic rubber in the U.S.A. showed increases, not reflected in the price structure.

The obvious conclusion then is that economic conditions in most of the industrialised countries are such as to indicate a steady increase in consumption of all kinds of rubber. At least the high price of sheets can be attributed primarily to two causes—the increased demand for latex from the U.S.A. and sustained buying pressure from Russia. Trade circles estimate that Russia and her allies would buy something like 170,000 tons in 1955.

Manufacturers in India are finding that increasing industrial activity is exposing them more and more to the vagaries of the world rubber market and hence their proposal for setting up a synthetic rubber manufacturing plant. They have been using about 2,278 tons of raw rubber per month since January 1955, but it is nearly 35 tons short of estimates. In view of the limited scope for the synthetic rubber industry in this country, extensive replantation, coupled with new plantation is the only way to bridge the gap between production and consumption. The growers have often charged the manufacturers, particularly the big ones, of exploiting the producers during periods of low world prices and large internal stocks. The more unfair method most commonly used, however, is believed to be down-grading of sheets against which an anxious seller has no protection. It is alleged for instance that buying rubber from any particular grower was claimed to be an act of patronage. But things have changed, and today rubber is scarce and fetches high prices outside. The 1954 crop was no doubt one of the highest in recent times, but production is still a long way behind the consumption and the rubber goods manufacturing industry meanwhile is fast developing. Against this background, the recent announcement of a scheme for rendering financial assistance of rubber growers, it now seems, therefore, was very timely. The target is to replant 70,000 acres with high yielding clones over a period of 10 years. This should assist the grower to meet the demands of manufacturers to a considerable extent.

Although there is a scramble for rubber in India and shortage of offers, a moderate improvement in manufacturers stock is visible from the statistics published by the Rubber Board. Production of rubber in India during August at 1,756 tons showed a gain of 120 tons over July. Total production for the first eight months of the year was 12,255 tons against 11,720 tons in the corresponding period of last year. Manufacturers' offtake during the same period reached a new high level of 18,226 tons. The increase in the stocks held by growers and dealers from 1,887 tons in July to 2,379 tons at the end of August perhaps reveals a growing unwillingness to part with their stocks, doubtless in expectation of higher prices being in the offing.

Company Meeting

Tata Locomotive & Engineering Co., Ltd.

Speech delivered by the Chairman, Mr. J. R. D. Tata, at the annual general meeting of the shareholders on Wednesday, the 5th October, 1955.

Gentlemen,

During the year under review satisfactory progress was made by the Company in its manufacturing and constructional activities. There was a substntial increase in the output of the Locomotive Division, the production being 47 locomotives and 45 additional boilers as compared with 22 locomotives and 32 additional boilers in the previous year. The progressive manufacture of Diesel trucks started ahead of schedule, and the target rate of production is being maintained in spite of considerable delays and difficulties arising from the congestion in the Calcutta Docks.

The erection of factory buildings and structures for the steel and alloy iron foundries has made steady progress despite the mounting shortage of structural steel. The construction of additional housing and services in our rapidly expanding Colony has proceeded apace. And we are now embarking on a substantial expansion of both the Locomotive and Automobile Divisions and also of the Alloy Iron Foundry.

PRICES FOR LOCOMOTIVES AND BOILERS

This progress, however, was not reflected in the financial accounts for the year. As explained in the report, owing to a disagreement between the Railway Board and the Company on the level of our manufacturing costs of locomotives and boilers, no profit has been shown in the year's accounts, although under the Agreement with the Government of India, the Company was entitled to a return on the capital employed in the manufacture of locomotives and boilers during the year. To that extent the accounts presented to the shareholders may be considered as provisional pending the completion of the inquiry into our costs by the Tariff Commission and such final settlement of the prices for locomotives and boilers as may be arrived at thereafter.

If the prices had been fixed on the basis of the Company's actual costs with the addition of 7 per cent profit on the capital employed in the manufacture of locomotives and boilers and initial and other special depreciation allowed, the profits for the year would have been in the neighbourhood of Rs. 48 lakhs and the allocation to depreciation would have been Rs. 89 lakhs as against Rs. 35 lakhs actually provided.

MANUFACTURING COSTS

We are by no means satisfied with the present level of our costs of production, but we do not accept the view that they are unduly high at the present stage of development and in the circumstances under which we have to operate. The four most important elements which affect our costs are: (1) the purchase price of local and imported materials and components, (2) the rate of production achieved, (3) labour costs and (4) depreciation charges.

We have no control over the price we have to pay for purchased raw materials, and, in regard to components, only to the extent that we are able to reduce their number by progressively manufacturing more of them ourselves. The percentage of components, other than castings, manufactured at Jamshedpur has shown continued progress, but the manufacture of castings must necessarily await the completion of our foundries. Until then there is no alternative to castings being bought either from abroad or in India. While there is no alternative to importing the heavier and more complicated castings, we have, in keeping with Government's policy, purchased other castings from local foundries, but unsatisfactory quality leading to heavy rejections by railway inspectors has resulted in constant production hold-ups.

The rate of output has an important bearing on costs. We have made progress in that respect, but the fact remains that our output is still below what it should be. We are making every possible effort to increase production up to our present capacity, but even when that is achieved our costs will still be on the high side because of the relatively small capacity of the plant in relation to the capital invested in it. It is primarily with a view to correcting this situation and securing a substantial reduction in costs that we have, in response to the request of the Railway Board, decided to increase the present capacity of our Locomotive Division by as much as fifty per cent despite the fact that the meagre return on the additional investment will make it an unattractive proposition by itself.

PROBLEM OF INSPECTION

While we are grateful to the Railway Board for the assistance they have given us all these years in the establishment of this important industry, in fairness to the Company, I must mention a factor within the control of the Railway Board which has been partly responsible for restricting our output, namely, the delays caused by the degree of inspection imposed upon us and the procedure adopted for this purpose. We appreciate the fact that in a product like a locomotive, in the operation of which an element of public safety arises, there must be a degree of control over quality more thorough than is called for in most other types of products. At the same time, insistence on a degree of inspection beyond the needs of safety, operational efficiency or durability, while achieving no useful purpose, materially restricts output through delays and unnecessary repetition of work.

Apart from the nature and degree of inspection itself, the methods of inspection adopted also cause delays which materially affect our costs. Although we have a comprehensive system of inspection of our own, the Standards Office of the Railway Board insist on carrying out inspection not only at the stage of the finished product but also at an unduly large number of stages of manufacture of individual components and sub-assemblies. Unless the degree and frequency of inspection in the course of manufacture is reduced and the procedure of inspection is simplified, serious delays and avoidable increases in costs of manufacture will continue to arise.

Although I am chary of treading on delicate ground, I think it is only fair to us, in view of the fact that the Railway Board have told us that our costs compare unfavourably with those at their Chittaranjan Locomotive Works, that I should mention that the type and degree of inspection at Jamshedpur is much more comprehensive and detailed than it is at Chittaranjan. This raises an important question of principle. As shareholders who have read my speeches at the annual general meetings of the Tata Iron and Steel Company know, I have been a strong supporter of a mixed economy in which both State enterprise and Free enterprise contribute side by side to the country's economic development. If such a mixed economy is to function satisfactorily, however, and to create the conditions and atmosphere necessary for maximum effect in both sectors, it is clearly necessary that whenever units in the same field of industry operate in both sectors they should be treated equally

and should be allowed to operate under similar conditions. It is to my mind all the more important that this should be the case when the consumer of the units in the private sector happens, as in this case, to be the owner and operator of the unit in the State sector.

We have brought this important aspect of the question repeatedly to the notice of the Railway Board in a friendly and constructive spirit and, while I believe they appreciate the validity of our argument, it has apparently not been found possible up to now to give it practical expression in the case of our industry.

Another factor, within the control of Government, which has greatly restricted our output and inflated our costs is the large variety of units, particularly in respect of spare boilers for which orders have been placed on us since the inception of the Company. In an industry such as ours, large-scale and continuous production at low costs is impossible with short-run orders. Each order requires long-range planning of the most elaborate kind, the ordering of materials and components months and sometimes up to two years in advance, separate tooling and precise inter-locking of materials, jigs and tools. We have repeatedly drawn the attention of the Railway Board to the complications, delays, low production and high costs resulting from the large variety of short-run orders placed on us. They have appreciated the position and have undertaken to do their best to give us orders for longer runs covering as few types as possible. They have already done so in respect of locomotives but we still have many short runs of various types of spare boilers to manufacture, and it is not until about 1958, when the manufacture of spare boilers will cease, that we may expect to be relieved from this costly burden.

LABOUR COSTS

The third important element in the costs of our locomotives and boilers is the labour cost. This itself is related to wage rates and man-hours. While we have little control over wage rates which must substantially conform to the rates prevailing in other industries at Jamshedpur, we have been informed that our man-hours per locomotive and boiler are higher than at Chittaranjan. This may be so, but unless one is able to compare all the factors involved and the circumstances under which we are compelled to operate, we cannot accept the conclusion that our man-hours or labour costs are higher for reasons within our control. The Tariff Commission, if permitted to make a detailed comparison between our costs and those of the Chittaranjan Works, will no doubt clarify this point. It is relevant for me to point out here, however, that whereas the Chittaranjan Works were able to draw upon a large number of skilled men from the various railway workshops throughout the country, we suffered from the disadvantage of having to train our men over a period of years. Furthermore, because the new men were either unskilled or totally inexperienced, we were compelled in the early years to carry a greater number of men than we would otherwise have needed in order to increase production. This is a situation which is bound to correct itself in due course as the skill and experience of our men improve.

INCIDENCE OF DEPRECIATION

The incidence of depreciation in our costs of production forms a very substantial proportion of our total costs. Under a specific clause in the Agreement with the Railway Board, depreciation as an element of cost is allowed to be charged at the same rates as allowed for income-tax purposes. From the start it has been agreed between the Railway Board and ourselves that this clause covers initial and other special depreciation allowances under the Income-tax Rules. Because our factory was built after the war when prices of plant and equipment were already very much higher than before the war, the element of depreciation on the costs of locomotives and boilers is naturally much heavier than in the case of locomotive factories elsewhere which, built many years ago at low cost, have little or no burden of depreciation to bear today. This has an important bearing on any comparison of our costs with those of imported locomotives to which I shall refer shortly.

PUBLIC ACCOUNTS COMMITTEE'S REPORT

The Public Accounts Committee in its thirteenth report has commented at length on the working of our Company and on the Agreement between Telco and the Railway Board. Some of their remarks seem to have been based on a misunderstanding of the real facts. Unfortunately we were given no opportunity to place the correct facts before the Committee and explain matters. I would respectfully suggest that when the occasion arises for the Committee to consider matters concerning Companies with whom Government Departments have Agreements, an opportunity be given to such Companies to tender evidence before the Committee provided Parliamentary rules permit it. In the present case, the Financial Commissioner of Railways answered the Committee's queries on matters concerning our Company and we are grateful to him for the fair and impartial manner in which he did so. I should like to deal briefly with one or two of the main points dealt with by the Committee.

INITIAL DEPRECIATION

It seems that the members of the Committee are not satisfied that initial and additional normal depreciation should have been included in the costs of production which formed the basis of the prices charged to the Railway Board. This is difficult to understand in view of the terms of the clause in the Agreement and the correspondence on the specific subject exchanged between the Company and the Railway Board in 1945 and 1947, which make it clear that even in the original negotiations preceding the contract it was clearly agreed that all depreciation allowances including initial depreciation as permitted under the Income-tax Rules were to be taken into account in calculating the prices for locomotives and boilers. There has been no dispute on this account between the Railway Board and ourselves, but if it is now felt that the burden of depreciation should be spread more evenly in future, we shall be willing to consider any reasonable proposal to that effect notwithstanding our rights under the Agreement.

The members of the Committee seem to have come to the erroneous conclusion that the payment of initial and special depreciation included in the prices paid by the Railway Board has involved Government in a loss. As rightly pointed out by the Financial Commissioner, as the total amount of the depreciation can in no case exceed 100 per cent of the value of the assets used on the manufacture of locomotives and boilers and the Company would have in any case been entitled to receive this amount sooner or later, there can be no question of Government having incurred a loss on that account. All that may be said is that they have paid higher prices in the earlier years which will be compensated by lower prices in later years. The fact that some of the assets may not be wholly depreciated on the expiry of the contract is not of material consequence because it is obvious that the Railways will continue to buy locomotives and boilers from Telco even after the expiry of the contract, and that the Company will agree that the total amount of depreciation previously provided should be taken into account. The Committee has also failed to appreciate the fact that the payment of higher prices for locomotives and boilers to our Company during the earlier years has served the valuable purpose of making available to the industry funds required for the completion and expansion of the locomotive work and for undertaking the foundry project. No part of the money obtained by the Company in the form of depreciation has been disbursed to shareholders or others. It has been wholly ploughed back into the business.

In view of the great financial stringency that has prevailed in the last few years, it would not have been possible for the Company to undertake the foundry project so urgently needed to supply large and complicated castings to both the Locomotive Works without the extra funds made available from accelerated depreciation allowances. The benefit of the expenditure thus incurred will in due course accrue to the Railways in full measure.

PRIORITY TO LOCOMOTIVE MANUFACTURE

The Committee have found fault with the Company for the delay in attaining the requisite output of locomotives and boilers and seem to have had in mind the possibility that this delay was caused or aggravated by the diversion of part of our capacity to other lines of production, including Diesel motor trucks. While it is true that the establishment of production at the prescribed rate has taken substantially longer than originally hoped, for reasons mainly beyond our control, of which the Railway Board is fully aware, I should like to take this opportunity of giving a categorical assurance to Government and Parliament that the manufacture of locomotives and boilers has always had first priority on available materials, men and machines in our Company. Other work, such as the manufacture of underframes and road rollers, utilised only such part of available capacity as was surplus and in any case underframes and road rollers were made solely on orders from Government.

Although it has always been our intention to diversify the Company's range of products, we have refrained from considering any of the attractive propositions which came our way until we were satisfied that we had reached a steady rate of production of locomotives and boilers in accordance with our obligations under the contract.

It was only in October 1954, well after the prescribed rate of locomotive and boiler production had been established, that the Company started assembling Diesel trucks from imported units, while progressive manufacture of such trucks started only in March this year. There can therefore be no possible reason to believe that the truck project has in any way interfered with the production of locomotives and boilers.

IMPORT PRICES

The Public Accounts Committee and the Railway Board themselves have laid some stress on the high costs of the Company's locomotives and boilers when compared with those at which they are being imported. I believe there is today no sound basis of comparison between our costs and prices of imported locomotives. The steam locomotive is fast dying out in the world. The rapid shrinkage of export markets for steam locomotives has resulted in cut-throat competition between the manufacturers of various countries, aggravated by secret subsidies and other devices granted by some foreign governments with a view to maintaining employment and output in their own countries and to earning foreign exchange.

As an example, I might mention the so-called "trade link system" which has been introduced in Japan to help exporters. Under that system monopolies of importing into Japan products such as sugar and other food articles, are granted to heavy industries in order to recoup losses incurred on exports. Japan's exports under this and co-related systems totalled more than 200,000,000 dollars in the first half of 1954, i.e. about one-third of Japan's total exports in the same period. It is significant that in spite of the large increases in costs of production which have taken place in all industrial countries in the last seven or eight years, the price at which the Railway Board have been able to buy locomotives this year was actually lower than it was shortly after the war.

Furthermore, most of the locomotive works of other countries were built many years ago and depreciation on them has been fully provided by now. Such manufacturers are therefore able to ignore in their quotations the incidence of depreciation and other costs such as housing which together form such a large part of our own costs. In the circumstances, it is, I submit, not fair to compare our costs with the prices of imported locomotives. Nevertheless, we realise that our present costs are on the high side, and as I have already indicated we are making every effort to improve efficiency and to reduce costs.

TARIFF COMMISSION INQUIRY

We welcome the decision of Government to entrust to the Tariff Commission, aided by a foreign expert, an inquiry into our operations and manufacturing costs. We hope that this inquiry will be completed in a short period of time and that it will enable the Railway Board and ourselves quickly to finalise the prices for the previous and the current year's output. To the extent that the inquiry will disclose possibilities within our own control of reducing costs, we shall be happy to act upon any recommendations that may be made on the subject.

AUTOMOBILE DIVISION

In contrast with the picture presented by the activities of the Locomotive Division, I am glad to report highly encouraging progress in the Company's Automobile Division. The demand for Tata-Mercedes-Benz vehicles has grown to such an extent in the last year that we have had to revise our programme almost before it could be initiated. Whereas we had planned progressively to manufacture 3,000 trucks a year, we have, in consultation with Messrs. Daimler-Benz, decided to double the productive capacity almost from the start, subject to Government's sanction. While this will involve an additional capital expenditure of about Rs. 4 crores, there can be little doubt as to its profitability and its resultant benefits to the shareholders.

As the economic activity of the country develops under the second Five-Year Plan, it is to be expected that the demand for trucks and bus chassis will continue to grow and we believe that even after the proposed expansion the demand will exceed our capacity.

Our partners, Messrs. Daimler-Benz, have agreed to invest a further Rs. 80 lakhs in shares of the Company as their contribution to the enlarged manufacturing programme. Our sincere thanks are due to them for their valuable and unstinting assistance and for their willing co-operation in meeting all our requirements.

LABOUR

As mentioned in the report, apart from a slowdown followed by a strike in the Forge and Smith Shop, the labour situation during the year was more or less normal. Management can provide the best available tools and equipment, excellent working conditions and teach the men up-to-date production techniques. This we have done and will continue to do. It is for the workmen themselves to realise that their own prosperity depends on the Company's earnings which will continue to be restricted unless they make a determined and honest effort to increase their productivity.

FUTURE PROSPECTS

Before closing, let me say a few words about the future, as I see it, in the light of our present experience and of our development plans. Within a couple of years, we shall be producing within our own foundries all the iron and steel castings that we shall require and I hope at a cost below the prices which we have to pay at present for imported castings. Our Locomotive and Automobile Divisions will then be entirely self-sufficient for all our needs of castings.

With the increase in our production and improvement in the efficiency of our workers resulting from a greater realisation on their part that their prosperity

(Continued on page 574)

Company Meeting

THE JAY ENGINEERING WORKS LIMITED.

ALL ROUND PROGRESS

Sir Shri Ram's Review

The following is the text of the Speech delivered by Sir Shri Ram, Kt., Chairman of the Jay Engineering Works Limited at the Annual General Meeting of the Shareholders of the Company held at Calcutta on 21st September, 1955.

Gentlemen,

We are meeting almost after a year, and I am glad to say that the past year has been of continued greater success and greater service, which is evident from the figures given below:

Particulars	Year ending 31-3-54	Year ending 31-3-55
Sales (In spite of reduction in prices in 1954-55). ..	Rs. 1,87,37,729	Rs. 2,23,95,049
Profits ..	„ 16,31,020	„ 18,78,517
Payment to Labour	„ 46,84,106	„ 54,27,552
Number of Workers	2,403	2,639
No. of Schools & Students in Embroidery & Tailoring Schools ..	Students 4,000	Students—8,000
..	Schools 72	Schools — 120
Centres for Sales and Service	712	781

The Balance Sheet, Profit and Loss Account and the Directors' Report have been in your hands for some time and with your permission I will take them as read.

I will now mention a few special features of the year. The most important and in consonance with our past policy was a further reduction in the price of our sewing machines from Rs. 200 to Rs. 175 on the 1st of December, 1954. You will no doubt remember that it was only on the 1st of July, 1953, that we had reduced the prices from Rs. 220 to Rs. 200.

Our prices are about 60 per cent less as compared to the well known makes available in India.

NEEDLE PLANT

The Tariff Board, while recommending the removal of protective duty, also suggested that we should put up a Needle Plant, and the Industries Ministry, when conveying this to us, suggested that we should put up a Needle Plant. We are glad to say that we have received a licence for putting up a Needle Making Plant. The orders for Machineries have been placed with a reliable firm, and I hope I will be in a position to tell you next year, that we are now making and supplying our own needles; in fact, the only part of sewing machines which up to now was not made by us.

PROTECTIVE DUTY

We are glad to say, and perhaps with some pride, that the protective duty from Sewing Machines was removed during the course of this year, but we are grateful to the Ministry of Commerce and Industry that to protect the indigenous industry from imports of cheaper varieties they have restricted the imports.

EXCISE DUTY

Not only was the protective duty removed but actually when announcing the Budget proposals for the year 1955-56 the Hon'ble Minister for Finance had proposed an Excise Duty of 10 per cent on sewing machines. This was a great shock to the infant industry of sewing machines. I am, however, glad to say that on the representation of sewing machine manufacturers, both on big scale, and on small scale basis, the Finance Minister appreciated that the sewing machine was not either an article of luxury or of consumption, but an instrument of earning their livelihood by tailors and poor class women. He also appreciated that this industry was providing means of livelihood to thousands of people working either on their own on cottage industry basis, or working for the big scale industry in their homes. We are also very grateful to Hon'ble Dr. B. C. Roy, who appreciated our difficulty, and helped us in our difficulty. I am glad to say that the Excise Duty from the sewing machines was removed.

I am also glad that the Hon'ble Finance Minister finally levied instead of 10 per cent on sale value, a fixed duty of Rs. 5 per table fan and Rs. 10 per ceiling fan, which has avoided a lot of difficulties and misunderstandings, and we are grateful to the Finance Minister for this.

EXPORTS

While our production has gone up and the sales have also increased for all our products, but due to increased demand in the country, so far as sewing machines are concerned, much to our regret, we had to restrict the export to foreign countries. We, however, hope with our steadily increasing production now, to again increase our exports.

As I said last year, the Industries Ministry have created an Export Promotion Council for studying the foreign markets and advising exporters. I have no doubt that in course of time they will prove very useful, and we on our part will do everything to make it successful and take full advantage of their services.

INCREASED PRODUCTION

I have said above that our production is steadily increasing, and while the average production of sewing machines last year was 6,476, in the month of August last, in spite of fewer working days, we produced 9,241 machines.

Due to our steady expansion we need much bigger area of land, than is available in the present site.

We have visited a number of sites to which place we could remove a part of our factory and relieve congestion here. Nothing in this connection has yet been finalised.

FACTORY AT CHHINDWARA

Partly on account of difficulty of space and mainly to reduce cost, we are putting up a factory for making Bhilawa Enamel, instead of in the factory itself, at Chhindawara, a Bhilawa collecting centre in C.P.

Our requirements of timber for various purposes, either for our sewing machines tables, covers, bases etc. or for packing purposes having greatly increased, we are putting up a small saw mill at Chhindwara, which is a very big timber centre. We hope this will result in a good deal of reduction of costs.

We are also grateful to the Development Wing of the Industries Ministry for time to time helping us by lending the services of foreign experts got under T.C.M. Scheme. In many cases their advice has been of great help.

HELPFUL CONFERENCE

Since we last met, we invited the Managers of all our Branches, as well as all our agents and sub-agents in the month of March. About 700 people came in this conference. We made very satisfactory arrangements for their board and lodging. We had free and frank discussions with them about their problems and our problems and we invited their free and frank criticism about our ways of working, about the quality and the defects of our products, and what sort of improvements etc. they would like us to make.

They were taken round the Factory and every process and every part and its function was explained to them. It was only after they had spent a lot of time in the Factory that they realised the enormity of the problems, the amount of work that has to be put in, in making a sewing machine of quality and they also realised the difference between a cheap and a good machine, and they made extremely useful suggestions and we are grateful to them.

It was our first experiment on these lines and it certainly was a very great success.

HIGHER DIVIDEND

You will have no doubt noticed with pleasure that with the permission of the Industrial Finance Corporation of India, we have increased the dividend this year to 12 per cent.

SECTION 23A

While on this subject, I might tell you that in the new Budget, as finally approved by the Parliament, the definition of Section 23A has been so considerably modified which may create serious difficulties in the way of our paying back our debts to the banks or even to the Industrial Finance Corporation, or building up Reserves for future expansions. The changes were: that if 60 per cent of the share capital was held by 5 or fewer persons, the Company had to pay 60 per cent of the profits as dividend and in certain circumstances even 100 per cent. I am glad to say that on the representations made to the Finance Minister, he has agreed to give exemptions under certain circumstances, and we have also applied for the exemption from the new Section 23A.

ELECTRIC FANS

You will be glad to know that our production of electric fans also has considerably increased. Not only in sewing machines and Hurricane Lanterns are we the biggest manufacturers in the country, but I believe, during the last few months we have been the biggest manufacturers of electric fans also.

Like many other articles, electricity is no longer a luxury and it is our intention to produce a cheap table and a cheap ceiling fan which we may be able to produce on mass production basis, and we will try to sell a table fan for, say, about Rs. 60 and a ceiling fan for about Rs. 100, so that even a worker in a factory or the lower middle class people, and clerks may also be able to buy the same.

Like all our other departments, the expansion of our Tool Room could not keep pace with the demand on the same, either from our own manufacturing sections or from our friends outside for the supply of tools and jigs and gauges We are trying to expand it as fast as circumstances permit.

GOOD ADVICES

As I said last year, our suggestions scheme is going on very satisfactorily and some times extremely good suggestions are received, which are of very great value.

Our Statistical Quality Control Department is also going on, and with the help of the unit formed by the Indian Statistical Institute we are expanding our work in this direction, and are trying to get the greatest benefit from the advice of this unit.

CAPITAL LABOUR RELATION

I am glad to say that the Planning Commission have very rightly realised the importance of good capital-labour relations which are absolutely necessary for the satisfactory carrying out of the Plan of the country.

Meetings were recently held in the Planning Commission between the representatives of Government, Labour and Capital, and it was realised on all hands that steps should be taken to remove all causes of friction and steps should be taken to improve the relations. I hope and pray that much good will come out of the deliberations of this tripartite conference, and its Committees.

ARBITRATION

During the last many years various Tribunals, High-Courts, and Appellate Tribunals have given decisions on various matters, and surely by now it should be possible for the authorities, in consultation with the parties concerned, to lay down some sort of norms, and some system of easy solution, and arbitration so that both Labour and Capital may be able to give their undivided attention to their work, and have peace of mind.

While on this subject, I am again happy to say that our relations with all our colleagues, from the highest officers to the smallest worker, have been very friendly and good, and I hope and pray that they will go on improving with the time.

We are glad the second Five-Year Plan is of much higher dimensions—we in our humble way will do all we can to make it a success.

COMPARATIVE WAGES

Some industrialists in Bombay compare their wages with wages paid elsewhere. They forget that the industrial worker in Bombay is the most highly paid in India whether it is due to his better ability or harder work or otherwise I do not know.

But comparing wages paid in Bombay with other places will be as unfair as comparing wages paid, say in U.S.A. with those paid in India and we still claim that our worker is the most highly paid.

Our General Managers, Shri B. S. Agarwal and Shri T. R. Gupta had gone to Europe on Company's work. They and Mr. Holtz, our Development Officer, met with a serious motor accident. Thank God Messrs. B. S. Agarwal and Mr. Holtz escaped any injury. Our Shri Gupta's leg badly fractured near the knee joint. After return to India, when his leg had been in plaster, for a few days, suddenly his wife died. We are all extremely sorry and I have no doubt you will join me in extending our sympathies to him.

APPRECIATIONS

I cannot close my remarks without conveying my gratitude to all my colleagues, right from Bishan Swarup Agarwal and T. R. Gupta to everyone concerned, for the loyal and devoted service they have put in, and I hope and pray that when we meet next year we will be able to give better account of our working.

Thank you

COMMODITY NEWS AND NOTES

RECORD CEREALS OUTPUT

The production of cereals and the area under cultivation in India during 1953-54 established an all-time, record, according to a publication entitled "Estimates of Area and Production of Principal Crops in India—1953-54", brought out by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India.

The area under cultivation was 210 million acres and the production of cereals was 56.1 million tons. The production of cereals exceeded even the target envisaged in the first Five-Year Plan at the end of 1955-56 by 3.6 million tons. The production of rice crop was estimated at 27.1 million tons, the highest on record.

Individually, the acreage under rice and cotton has also set up new records of 76.6 and 17.0 million acres, respectively. The production of cotton at 39.4 lakh bales exceeded the 1950-51 production by 10 lakh bales when the cotton development scheme was first launched in the country.

The 1953-54 season has witnessed a remarkable increase both in area and production of cereals, pulses and some of the cash crops.

U.S. AND WHEAT PACT

In view of the existence of a "lot of sentiment" against it, the International Wheat Agreement may not be supported by the United States Government, according to a recent statement by Mr. Benson, the American Secretary of Agriculture. Under this 47-nation Agreement, which expires next July, the U.S. does about 30 per cent of its wheat trade. Mr. Benson said that the U.S. would probably agree to closer and more frequent consultation with Canada on the American surplus food programme, in view of Canadian complaints that the programme had injured some foreign markets for Canadian wheat. He indicated that he would like to see Britain, the world's biggest wheat buyer, become a member of any new pact before the U.S. made up its mind. Britain, which withdrew from the Wheat Agreement in 1953, has agreed to sit in on negotiations arrived at a new agreement in Geneva during October.

TOBACCO PRODUCTION

The all-India final estimate of tobacco, 1954-55, puts that year's area and production at 860,000 acres and 248,000 tons, as against the partially revised estimate of 912,000 acres and 268,000 tons for 1953-54. This shows a decline of 52,000 acres or 5.7 per cent in area and 20,000 tons or 7.5 per cent in production in 1954-55 as compared to 1953-54.

The decrease in area during 1954-55 has occurred mainly in Andhra, Bombay and Hyderabad and has been attributed to unfavourable climatic conditions at the time of sowing. The decline in production has mainly occurred in Andhra and Bombay due to decrease in area. Crop cutting surveys on tobacco are conducted every year in the districts of Mehsana, Ahmedabad, Kaira, Pancha Mahals, Broach Satara South, Kolhapur, Belgaum and Dharwar of Bombay State.

THE U.S. SURPLUS PROBLEM

With the removal of the uncertainty in respect of the American cotton policy, serious thought is now being given in the U.S. to different ways of promoting exports. The underlying objective seems to be as to how best the U.S. cotton can be made competitive with the foreign growths, while, at the same time, retaining the price-support programme at home. Although the two-price system, whereby export prices would be determined by world factors, has been readily welcomed by some shippers and farmers, strong opposition to the system has been voiced by the American mill industry. The latter argue that it is undesirable to channel export trade through the Commodity Credit Corporation and point out that there is a technical difficulty, besides, in introducing a two-price policy, as it would ultimately result in the U.S. textile producers being placed at a disadvantageous position. They also express fears that it might unduly depress the general level of cotton prices throughout the world, while entailing heavy administrative cost to the C.C.C. Again, it is debatable how far America will find willing buyers of her cotton in the overseas markets, especially in view of the increasing volume of exports lately from the U.S.S.R. to the Western Europen countries and the threat of the same being extended even to Japan and India.

Meanwhile, it is only natural that public attention in America should shift to a critical examination of the C.C.C. The Commodity Credit Corporation of America, being the largest non-financial corporation created by Congress, bigger even then General Motors and Ford combined, "is possessed of a tremendous concentration of power". This concentration of power would appear to have resulted in a heavy loss to the U.S. tax-payer. For, however, laudable the objective may be, the Corporation has sustained a loss on its price support operation of around $5 billion since 1933. But the Corporation was also obliged to speculate in perishables, and this doubtless explains a good portion of the loss. Thus, the high price support on potatoes alone is stated to have caused a loss of around $500 million between the years 1946 and 1950, of which $200 million was lost in only one year, that is in 1947.

It must be admitted by all, therefore, that the price-support programme is, by its very nature, an 'expensive luxury' even for a rich country like America, a point which enthusiasts of State Trading in India will do well to note. Under the programme, America is obliged to maintain a price umbrella, at great sacrifice to herself, but with a view not to disrupting world prices of commodities. One cannot help observing, that the extent of the loss suffered by the Corporation even in this altruistic process—at the expense of the tax-payer, be it noted—would have been sizably reduced, had the role of the Corporation been assumed by non-governmental bodies. In such an event, the loss, if any, would at least have been confined to a limited circle.

RECORD WORLD WOOL OUTPUT

World wool production in 1955-56 is expected to reach a new record of 4,475,000,000 pounds, as against 4,390,000,000 pounds in 1954-55, according to Messrs. Bache and Company, a Wall Street commission firm. This is undoubtedly the least-desired type of news in so far as wool interests are concerned. For, there has been a sharp decline in wool prices during the past few weeks, but it is believed that, once the auctions reopen, the demand for wool may increase sufficiently to prevent any further decline from the current low level of prices, nay to bring about a recovery even. As yet, there is no fundamental weakness in wool such as that which characterises cotton, thanks to America's huge surplus of cotton. Nevertheless, it is difficult fully to gauge the underlying position of wool, because trends in so important a producing and consuming area as the Soviet Union are still obscure. It is reported that the U.S.S.R. is the world's third producer of wool, and its wool industry is based on its domestic clip, big purchases outside representing only marginal (and irregular deficiencies. Accordingly, Russian and, to a smaller extent, Japanese buying is likely to be a major contributory factor in the formation of price patterns. Because of sterling shortage, the Japanese are expected to cut their purchases by a fifth compared with last year. Should Russian buying develop and the Japanese purchases also rise above the average expectations, a quick recovery in wool prices might be seen.

COMPANY AFFAIRS

THE CHAMPDANY JUTE COMPANY, LIMITED

The Audited Accounts of the Company for the six months ended March 31, 1955, show, after providing Rs. 2,97,681 for depreciation and meeting from the Rehabilitation Reserve the capital loss of Rs. 2,26,200 on discarded machinery, a balance at credit of Profit and Loss Account for the half-year of .. Rs. 3,12,391
To which falls to be added the balance brought forward from the previous accounts .. .. „ 22,542

Making an amount available for distribution of .. .. .. „ 3,34,933

To be dealt with as follows:
Payment of a Dividend at the rate of 8 per cent per annum .. .. „ 2,36,656

Leaving a balance to be carried forward of .. .. „ 98,277

The Managing Agents have voluntarily foregone Rs. 50,000 from the remuneration accruing to them for the half-year under review.

Very shortly before the close of the half-year under report, the installation of the new preparing, spinning and winding machinery at Champdany Mill was completed. The fulfilment of this large modernization programme involved revenue outlay during the half-year of a largely unrecurring nature, amounting approximately to Rs. 2,23,000; this sum is comprised of retiring gratuities to redundant labour and loss on stores which could not be used with the new machinery. In these circumstances, the results of the Company's working are not unsatisfactory and reflect on the whole the better and cheaper working arising from the modernization.

Since the end of March last there has, under the prospect of a large jute crop, been a steady decline in the cost of the raw material as also in the value to be obtained for the company manufactures. Satisfactory prices have been obtained for the latter, however, and the outlook for the current half-year is not discouraging.

In accordance with the provisions of the Indian Jute Mills Association Main and Supplementary Working Time Agreements, 12½ per cent of the looms remained sealed during the six months under review and the unsealed looms worked 48 hours per week.

HASIMARA TEA COMPANY, LIMITED

The Company's gross profit for the year is Rs. 54,78,902, from which have been provided Rs. 15,47,377 for taxation, Rs. 65,650 for staff expenses, and Rs. 1,63,882 for replacement and Rs. 3,77,532 for depreciation of assets. Allowing for these and the other adjustments shown, there is a net profit for the year of Rs. 33,63,893, which, together with the balance brought forward from 1953, gives a total available on this Account of Rs. 38,11,687. Out this, the Preference dividend for the year and an interim Ordinary dividend of 10 per cent were paid on February 21, 1955, absorbing Rs. 3,41,000; and there remains a balance of Rs. 34,70,687, proposed to be dealt with as follows:

Transfer to Renewals and Additions Reserve	Rs.	6,00,000
Transfer to General Reserve	„	6,50,000
Transfer to Staff Reserve	„	1,00,000
Pay a final Ordinary dividend of 50 per cent making a total of 60 per cent for the year	„	16,00,000
Carry forward to 1955	„	5,20,687
TOTAL	Rs.	34,70,687

There was severe drought at Hasimara early in the year, followed by abnormally heavy rainfall; these conditions severely affected Satali, from which outturn was materially reduced, though well maintained at the other Divisions, the total crop being 63,71,277 pounds of tea. As indicated in the Company's report for 1953, a substantial portion of this was sold forward on private contracts, and the balance disposed of on the very favourable market that prevailed during the year. During the year two 50 k.w. generators were supplied to Malangi; a sorting room extension and new dispensary erected at Satali; 50 pucca labour houses and a new Central Workshop were completed; and progress was made with the Central Hospital.

KHAS SHAMPORE COAL CO., LIMITED

The Audited Accounts of the Company for the half-year ended April 30, 1955, show, after providing Rs. 20,362 for Depreciation, a deficit of Rs. 38,594, to which has been added the loss brought forward from last half-year, viz., Rs. 81,406, making a total of Rs. 1,20,000, which the Directors recommend to be carried forward to the next half-year.

Raisings during the half-year were 17,195 tons and despatches 8,975 tons as compared with 13,649 tons and 12,114 tons, respectively, of last half-year.

SIJUA (JHERRIAH) ELECTRIC SUPPLY COMPANY, LIMITED

The Profit and Loss Account of the Company for the year ended December 31, 1954, including the credit balance of Rs. 44,269 brought forward from the previous year, Rs. 8,109 on account of post-war refund of Excess Profits Tax, Rs. 58,000 on account of refund of Income Tax, and a sum of Rs. 4,636 written back from Tariffs and Dividend Control Reserve, and after allowing for sundry charges, Depreciation, Taxation, etc., placing Rs. 27,478 to Reserve for Contingencies, Rs. 80,000 to Debenture Redemption Reserve, Rs. 4,000 to Development Rebate Reserve, Rs. 27,241 to General Reserve and Rs. 50,000 to Reserve for New Plant, shows a credit balance of Rs. 1,67,391, to be disposed of as follows:

In paying Dividend on the Ordinary Shares at the rate of 7½ per cent per annum without any deduction for Income-tax paid by the Company. ..	Rs.	1,26,000
In carrying forward ..	„	41,391
TOTAL	„	1,67,391

Despite frequent reference to Government, the electrical industry has not succeeded in obtaining relief in respect of an increase in permissible earnings.

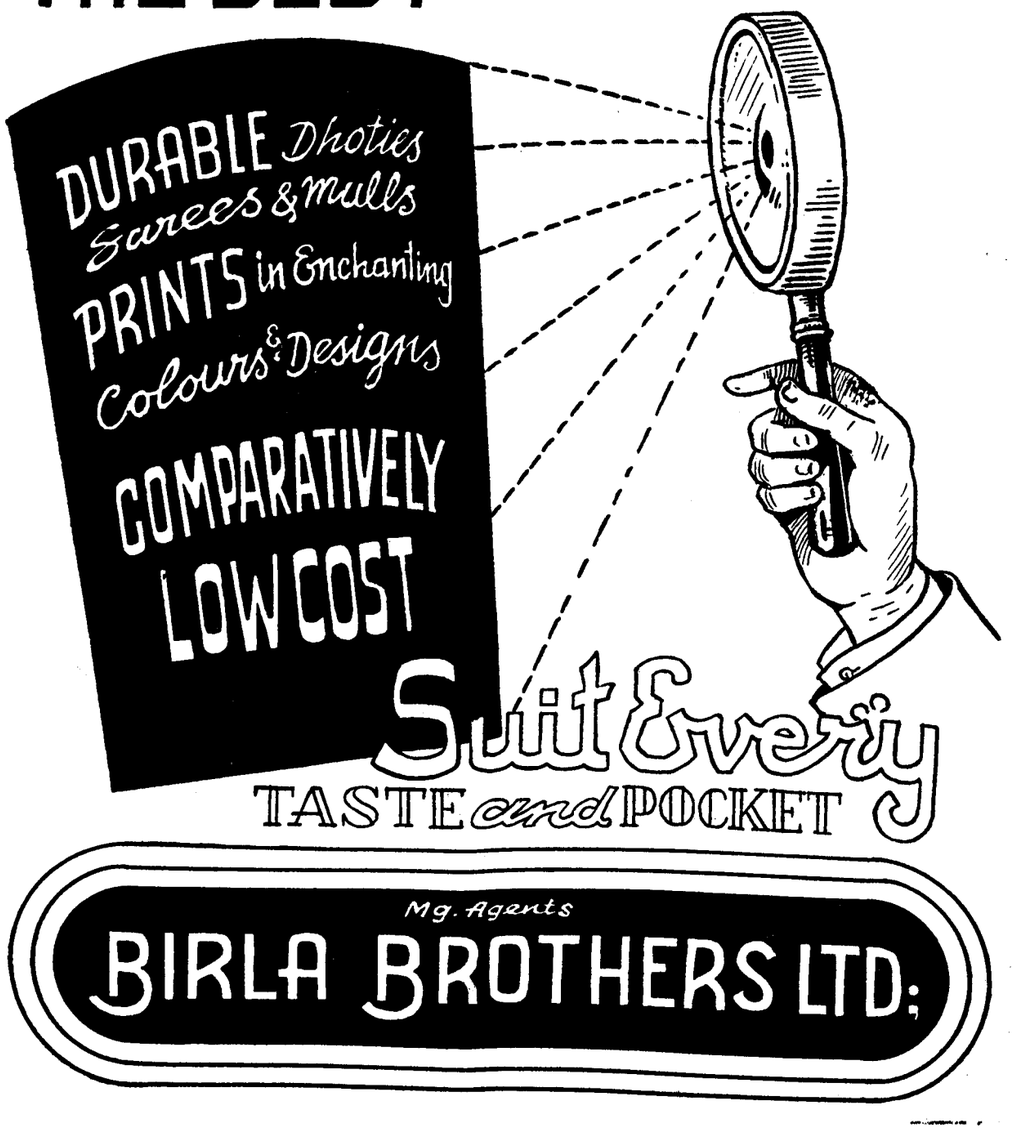
Units sold in 1954	90,803,594
Units sold in 1953	97,671,438

In 1954, 28.83 million units were supplied by the D.V.C. as compared with 25.21 million units in 1953. Relations with labour continue to be satisfactory.

Products Of

The BIRLA COTTON SPINNING AND WEAVING MILLS. LTD., DELHI.

THE BEST From ALL POINTS OF VIEW



Mg. Agents

BIRLA BROTHERS LTD.

Company Meeting

The Kolar Gold Field Mining Companies

Mr. M. A. Sreenivasan, Chairman, in the course of his annual address to the members of The Mysore Gold Mining Company (KGF) Limited, The Champion Reef Gold Mines of India (KGF) Limited and Nundydroog Mines (KGF) Limited at the Annual General Meetings held 29th September, 1955 said:

"During the past few months the Government of Mysore have been contemplating action that may seriously affect the future of your Company. Brief announcements have been made in the Press here and in the U.K. from time to time, but I hasten to take this opportunity to give you an indication of the present position as far as it is known.

"As you know, in the year 1949, a new agreement was entered into by your Company with the Government of Mysore under which, in addition to the 5 per cent royalty on the sales of gold, and the additional royalty payable under the leases, a substantial share of the net surplus known as "Contribution" became payable to the Government of Mysore in consideration of their removing the Gold Duty. At that time, and with the price of gold then prevailing, it was expected that the Government would receive between Rs. 25 lakhs and Rs. 30 lakhs a year by way of Contribution from the four Mining Companies then operating. Due to a steep fall in the price of gold by nearly 25 per cent in 1952, and a rise in costs, mainly on account of increased payments to labour and for materials, the net surplus suffered a shrinkage and in consequence practically no Contribution or additional royalty has become payable since 1952. Partly for this reason and for other reasons which I need not dilate upon here, the Government of Mysore have been critical of the agreement entered into by the Government in 1949. Last year the Government appointed a Committee to enquire into the effect of the repeal of the Gold Duty and to examine the position arising out of the 1949 agreement and to recommend measures to increase the returns from the Mining Industry to the Government. The Companies were not invited to appoint a representative on this Committee. They, however, received a lengthy questionnaire which was fully and carefully replied to. Your Directors also met the Chairman of the Committee (the Minister for Home and Industries) and submitted additional information and clarification. The Report of the Committee was published in February last.

"The Committee concluded that 'important clauses in the agreement have been honoured more in the breach than in the observance' by the Companies. Finding that 'there appears to be no prospect of anything more than bare royalty being paid to Government so long as the expenditure and the price trends continue to be what they are' the Comittee concluded and recommended that there was 'no alternative but to enhance the royalty to 10 per cent'.

"The Management submitted a reply, that was published, denying the allegations made in the Committee's Report and presenting the facts in regard to each of the matters dealt with by the Committee. It was pointed out that the finding of the Committee regarding rising expenditure and falling gold price trends did not justify their recommendation to enhance the royalty. It was submitted that the Committee had failed adequately to recognise the fact that the fall in the revenue anticipated by the Government was due almost entirely to the fall in the price of gold and that had the price of gold continued to be what it was in 1949 the Government would actually have received far more revenue than was originally expected—even more than double the royalty—due to the increased output and improved efficiency that had been attained.

"The Management pointed out also that had the Gold Duty not been removed, all the mines would inevitably have been closed down in 1951, and that if, nevertheless, the Government were of the opinion that the Duty should not have been removed or that the agreement of 1949 should not have been entered into, it was a matter about which the Companies could do nothing beyond expressing their readiness to discuss a revised agreement—which they had done. It was also represented that if Government felt that any of the terms of the agreement had been violated or departed from the Government may be pleased to refer the differences to arbitration as was clearly stipulated in the agreement itself. Unfortunately, the Government replied that they were not in favour of referring the matter to arbitration.

"No orders were passed by the Government on the Report of the Committee. The Government, however, placed the Committee's Report in April last before the Mysore Legislative Assembly and the Mysore Legislative Council which both passed resolutions approving the recommendations of the Committee and authorising the Government to take such measures as they may consider necessary.

"On the 18th of June, at a press conference, the Chief Minister of Mysore announced that the Mysore Government was in favour of nationalising the mines, and added that in view of this decision of the Government's policy it was not necessary 'to enter into minor controversies with anyone'. It may here be noted that Nationalisation was not among the recommendations of the Committee.

"On the 13th of July the Management, at their request, met the Home Minister who informed them of the irrevocable decision of the Mysore Government to nationalise the mines. This decision was repeated at subsequent meetings which the representatives of the Management had with the Chief Minister.

"Your Company and the two other gold Mining Companies in the Kolar Gold Field together constitute the largest private sector enterprise in the Mysore State. In the past over half a century during which a township of over 150,000 has grown around the industry, the Companies and their Management have received the confidence and support of successive Governments of Mysore. As recently as in 1949 the Companies accepted an extraordinary measure of Government control. They also agreed to bear new financial burdens which, as far as they know, are without parallel. It is indeed unfortunate that in these circumstances such an enterprise should still be subjected to so much doubt and insecurity as to its future. Your Directors can well realise the concern and anxiety with which you have received the news and announcements of the recent happenings, which anxiety will be shared by British industrialists and investors in particular, and the financial and business world in general.

"Your Directors are doing all they can to explain facts, clear up misconceptions and secure fair and just consideration of the subject and to re-establish the atmosphere of harmony in which alone the enterprise

can function efficiently and in the best interests of the State, the employees and the shareholders. In the discharge of this duty they have felt reassured by and are grateful for the assurance they have recently received from the Government of India that no step will be taken without a thorough and careful consideration of all the aspects of the matter.

"A few days ago, a team of officers of the Central and State Governments visited the mines to examine the technical and financial implications of nationalisation. A questionnaire received from these officers concerning the assets of the Company and other matters is receiving the attention of the Management.

"Your Directors will keep you informed of any development that may take place".

Referring to the adjudication by the Industrial Labour Tribunal of demands by labour, the Chairman announced that the Mysore and Champion Reef KGF Companies had recently reached an agreement which provides for an increase in wages of 3 annas a day, for the introduction of a Termination Gratuity Scheme which will, however, cease in the event of nationalisation, for a bonus of 33 days' basic wages instead of 2½ months awarded by the Tribunal and for 5½ months' arrears of the increase in wages instead of 11 months awarded. The award given by the Tribunal was still under appeal in the case of the Nundydroog Company.

Dealing with the results for the current year to date the Chairman spoke as follows in respect of the individual Companies:

THE MYSORE GOLD MINING COMPANY (KGF) LTD.

"Production has been seriously affected not only by the stoppages and disruption caused by labour strikes but also in consequence of the rockbursts which occurred in the 43rd Oreshoot in October and November 1954. Fortunately the price of gold rose sharply in January 1955, and the higher price received, which for the eight months to the 31st August averaged over Rs. 251 per ounce, has been maintained. The higher revenue per ounce has, however, been barely sufficient to meet costs and royalty to date and in consequence the prospect for dividend for the year 1955, is not favourable. The trend of the price of gold over the last 12 months is, however, encouraging and if production can be raised towards the 1954 level with the co-operation of labour, the outlook for the future should improve."

THE CHAMPION REEF GOLD MINES OF INDIA (KGF) LTD.

"Production has been affected no tonly by Labour strikes and unrest but also in consequence of the shutdown of Biddick shaft for three months". The Chairman said that in spite of the highest price received for gold since January, the financial results to date do not compare favourably with those for the corresponding period of 1954.

NUNDYDROOG MINES (KGF) LTD.

"Production has been affected by the inability to work during the first two months a number of stopes in the area isolated on account of the underground fire and the unsettled labour conditions". The Chairman referred, however, to the higher price received for gold since January, 1955, and said that "provided there are no set-backs between now and the end of the year the financial results for the current year should compare favourably with those for 1954."

DIVIDENDS

The following dividends were declared for the year ended 31st December, 1954:

The Mysore Gold Mining Company (KGF) Ltd.	6%	Payable to stockholders on 28th October, 1955.
The Champion Reef Gold Mines of India (KGF) Limted.	4½%	Payable to the respective Sterling (Holding) Companies.
Nundydroog Mines (KGF) Limited.	6%	

The Reports and Accounts were adopted.

(*Continued from page 567*)

is in their own hands and depends upon their willingness to work, I have every hope that the manufacturing costs of our locomotives will fall substantially and that there will be no cause for complaint on that score on the part of the Railway Board. Shortly thereafter, our annual output for sale will be 100 complete locomotives, 6,000 truck and bus Diesel chassis and over 3,000 tons of heavy and complicated steel castings for the Chittaranjan Locomotive Works and other industries. This will represent an annual turnover of about Rs. 17 crores.

I appreciate that shareholders would like to know what effect these developments will have on the earning capacity of the Company and when they may expect a dividend. I am sure they will realise, however, that pending the completion of the Tariff Commission's inquiry and the fixation of prices for locomotives, it is impossible for me to make any forecast of the profits of the Locomotive Division. I can only say that at this stage I see no reason to expect that the Company will be deprived of the profit on the capital employed in that Division specified in the Agreement with the Railway Board.

As regards the Automobile Division, provided no unforseen difficulties arise and Government policies in respect of the industry remain as they are today, I am confident that shareholders will have no cause for complaint about the profitability of this side of our business.

More specifically, and taking the two Divisions as a whole, I hope it will be possible for us to wipe off the arrears on preference shares next year and possibly to pay an initial dividend on equity capital.

We are in the process of developing our plant into a large and efficient unit of which the country may be proud and are simultaneously building up a corps of skilled and highly trained workers and an efficient managerial cadre. I firmly believe that in the long run our efforts will reap their just reward and that shareholders, who have waited so patiently for nearly ten years, will obtain a satisfying return on their investment. I would in this connection like to draw the attention of those who tend to overlook or belittle the important service which the investor renders to the long period of waiting and the risk which he has so often to bear before he secures any return at all.

In closing, may I on your behalf and that of your Directors offer our thanks to the General Manager, officers and men at Jamshedpur and elsewhere for their unremitting efforts?

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949–50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947–48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948–49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949–50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950–51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951–52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952–53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953–54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954–55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
December 1954 ..	318.0	436.3	347.4	375.1	579.7	367.8	90.2	100.8	88.3	116.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February „ c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March „ c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.4
April „ c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4
May „ c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June „ c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July „ c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August „ c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
Week Ending										
13–8–1955 ..	315.1*	406.2*	326.6	371.6	562.8*	356.9	90.9	100.7	87.8	122.0
20–8–1955 ..	320.5	405.3	326.8	371.2*	563.2	358.5*	90.9	100.7	87.7	122.9
27–8–1955 ..	318.5	404.3*	325.1	370.6	562.4	357.2	90.9	100.7	87.7	124.4
3–9–1955 ..	318.2*	393.1*	325.5	368.6	561.8	354.7*	90.9	100.7	87.5	123.9
10–9–1955 ..	315.2	392.8	322.9*	368.7	554.2	353.2*	90.8	100.7	87.3	122.5
17–9–1955 ..	312.0	401.0	324.4	369.3	553.3	353.7	90.8	100.7	87.0	122.3

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 September	347	364	237	137	332	406	371	137	335	147	142	138
October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	—	—	—	—	129	130
July	324	340	224	129	327	371	—	—	—	—	—	—
August	—	—	—	134	—	375	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	1-10-1955			24-9-1955			17-9-1955			10-9-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	96- 0	95- 0	95- 6	95-10	94-14	95- 5	95-14	94- 8	95- 4	95- 2	94- 4	94-12
Silver (per 100 fine tolas)	170- 4	166- 6	169- 1	166-12	166- 0	166- 9	166-10	164- 8	165-10	166- 4	163-12	165-10

THE EASTERN ECONOMIST

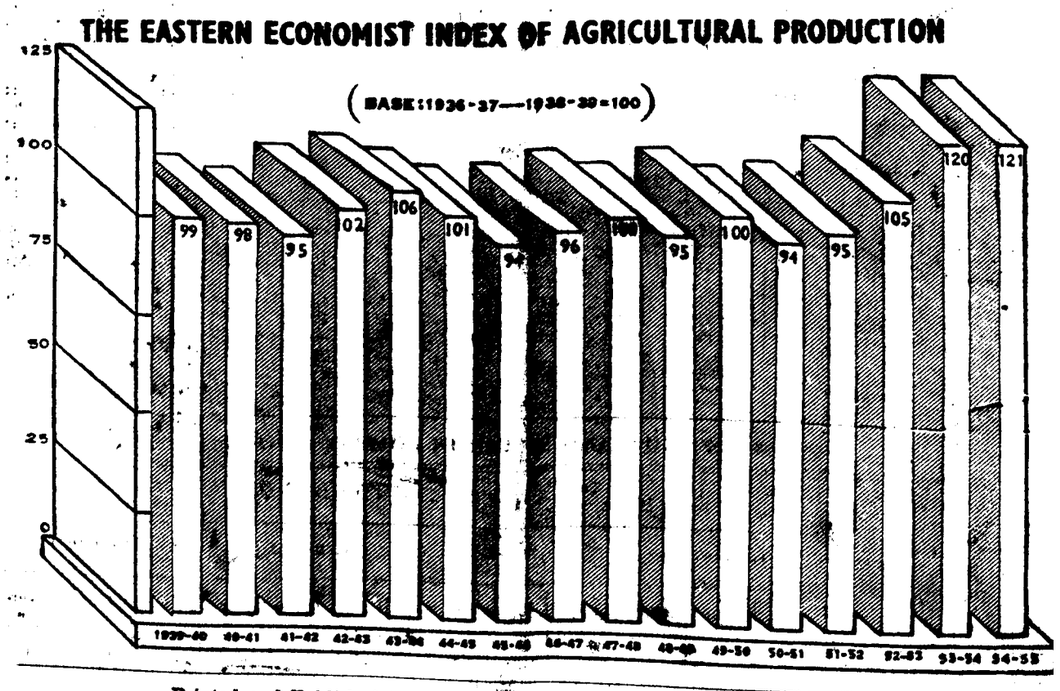
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INDIAN AGRICULTURAL PRODUCTION

(Base : Average for 1936-37 to 1938-39=100)

	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	(*) 1947-48	(*) 1948-49	(*) 1949-50	(*) 1950-51	(*) 1951-52	(*) 1952-53	(*) 1953-54	(*) 1954-55
Food Grains ..	**95**	**93**	**103**	**107**	**104**	**95**	**96**	**102**	**96**	**99**	**91**	**91**	**104**	**122**	**120**
Rice ..	88	92	99	109	102	96	104	102	98	101	88	90	98	118	109
Wheat ..	98	91	99	90	97	84	67	77	77	86	87	82	101	106	108
Millets ..	108	99	112	111	114	99	99	108	89	99	93	96	111	136	148
Gram ..	96	86	111	122	103	100	115	143	145	117	115	105	133	146	146
Fibres ..	**111**	**105**	**78**	**87**	**55**	**56**	**53**	**58**	**53**	**78**	**85**	**100**	**98**	**105**	**113**
Cotton ..	107	109	76	89	54	52	51	54	46	65	72	77	77	97	106
Jute ..	132	82	87	77	62	78	66	83	99	154	164	235	229	156	158
Oilseeds ..	**111**	**94**	**98**	**104**	**107**	**97**	**100**	**104**	**95**	**106**	**103**	**104**	**100**	**111**	**123**
Sesamum ..	110	95	106	102	88	88	81	88	84	108	113	110	113	132	141
Groundnut ..	118	82	91	125	122	110	114	109	92	107	109	97	92	114	122
Rape & Mustard	114	113	102	93	111	98	107	109	99	107	101	122	112	112	130
Linseed ..	99	81	92	86	89	83	77	101	99	97	85	73	83	83	91
Miscellaneous	**107**	**112**	**117**	**116**	**112**	**120**	**112**	**121**	**121**	**126**	**127**	**126**	**127**	**130**	**134**
Sugarcane ..	113	83	100	114	106	102	110	131	109	111	126	136	113	104	123
Tobacco ..	104	103	86	75	93	97	79	69	75	78	76	61	71	75	70
Tea ..	109	119	113	135	121	136	147	152	156	158	158	164	162	164	173
Coffee ..	89	112	102	108	108	159	96	99	139	128	116	130	142	184	156
General Index	**98**	**95**	**102**	**106**	**101**	**94**	**96**	**100**	**95**	**100**	**94**	**95**	**105**	**120**	**121**

(*) Revised.



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Reorganisation of the States

WITH the publication of the report of the States Reorganisation Commission last Monday, a period of intense speculation in the country over its proposals has ended. In view of the keen public interest shown on the subject all along, the initial reactions available in the last four days may provide a rough indication of the general response to the Report. But public opinion has yet to crystallize on the specific issues, and the manner in which it will do so must depend largely on the lead given by those who have actively canvassed the various points of view before the Commission. All these views have been now assessed by a body the composition of which has all along been accepted as unexceptionable by the whole country. If there is still left an area of disagreement, it only illustrates the complexity of the tasks which faced the Commission. If an eminent judge, a veteran in public affairs and an astute scholar-diplomat have not wholly succeeded in evolving an acceptable set of recommendations after reviewing the long history of this problem, it is extremely unlikely that any other set of men would fare better in satisfying all points of view. There may still be considerable scope for improvement but these are matters for negotiation and agreement through other channels which are always open under our political system.

The Commission's recommendations for the reorganisation of the States in the Indian Union are quite specific even on details, though its terms of reference had led us to expect a broad survey of the problem in all its aspects. The reorganisation of the size and composition of the constituent

units of a vast country is essentially a political problem to be determined at the highest levels. It cannot be settled entirely in terms of an award, however impartial, though awards are necessary and inevitable when specific and insoluble disputes arise between equally strong rival groups. The Commission's Report was sought only to assist a settlement and it could have proved more useful as an exhaustive analysis of the political, social and economic problems involved in the various changes that have been suggested. Actually, however, it has turned out to be an adjudication on the claims and counter-claims that were presented to the Commission.

The Government of India could not have overlooked this essentially political aspect. The Conference of the Chief Ministers, the meetings of the Congress Working Committee and of the A-ICC and the opportunity provided for the legislatures to discuss the question of reorganisation in the light of the Report would all help to throw light on the political character of the problem in the next few weeks. If after all these political processes, the States Reorganisation Commission's Report is left substantially intact, it will be a fitting tribute to the wisdom of the Commission on the many matters on which it has almost conclusively solved problems of State boundaries. In a Special Article elsewhere in this issue it is shown how in almost 10 of the 16 new States proposed, the status quo will be substantially maintained. The merger of Part C States like Ajmer and Tripura and boundary adjustments between W. Bengal and Bihar, Madras and Kerala or Bombay and Rajasthan will not visibly change the map of India. The mergers of Part C States only complete the process of integration which the late Sardar Vallabhbhai Patel had left unfinished after he had accomplished the major task of amalgamation. There is less reason for dispute now, than then. Minor disputes on details which may continue should not obscure the fact that in respect of all these ten States, the Commission's Report would be considered largely non-controversial.

The really controversial issues are involved only in respect of the six remaining States which cover about one-third of the country's population. The reasons for the denial of a separate unilingual Marathi-speaking State may not be easily appreciated when other linguistic groups have been substantially satisfied by the establishment of Kerala, Madras, Andhra and Karnataka and by the continuance intact of States like Orissa and West Bengal. The Maharashtra problem has centred round the city of Bombay, which has all along defied any practicable solution devised in linguistic terms. No attempt has been made to reach a settlement on this question which would be politically acceptable to the parties concerned. In the absence of a suitable formula it would be difficult to blame the Commission for not finding one which would be unobjectionable—for such a formula has been shown to be well nigh impossible. And if the Commission should have made a confession of failure on this issue and left Bombay State as it is, then other steps like the merger of Saurashtra and Kutch in the North and the Marathwada districts in the South would have also become impossible. And if, as a consequence, Hyderabad had been retained as a composite State, the formula for the eventual formation of Greater Andhra would also have become difficult, while the Vidarbha problem within Madhya Pradesh would persist. Bombay thus became, politically as much as financially, a vital link in a chain of reorganisation. The Commission has cut the Gordian knot by suggesting a larger Bombay State. If alternatives to the Commission's proposals have to be explored in order to satisfy public opinion in this area it can only be done through an understanding at a political level over the future of Greater Bombay.

That is the crux of the States reorganisation problem and it can be solved only in an atmosphere free from bitterness or passion. Vidarbha has now been designed as a substantial concession to Maharashtrian sentiment, but if the people of the new State should prefer to enjoy exclusively the wealth of their areas as stated in the Report, the case for a single Maharashtra would be greatly weakened—just as the case for Karnataka would be weakened if important sections in Mysore successfully oppose the proposed larger unit. Hyderabad has become a residual affair and the new Madhya Pradesh looks relatively non-controversial. That leaves the Punjab which has raised a Sikh problem passing off as a linguistic demand. The linguistic argument may be disposed of easily but the problem of political conciliation will remain to be faced. Even if nothing positive can be done to meet it satisfactorily the question arises whether amalgamation—of PEPSU with its strong Sikh orientation and Himachal Pradesh with its own suspicions—would not make this situation more complicated, even if otherwise desirable. All these questions cry out for answers essentially in political terms.

The Commission's Report will be judged not by the areas of agreement even though they are great, but by how far it helps discussions and understanding on the disputed issues. Financial and economic considerations and the implications of reorganisation to the future of development are not fully discussed. Ideas about regional economic planning might have been explored with a view to seeing whether they can be reconciled with reorganisation so as to forge new common bonds that would in time transcend smaller loyalties. There are sound suggestions to be found in the Report on the integration of the services and on measures for strengthening the unity of India, which would be, in any case, desirable, whether the reorganisation takes the exact shape that has been suggested therein or not.

There is, however, some basis for the confidence that so long as the process of reorganisation is in the direction of merging small units with the bigger and better established units, no serious problems of financial viability or economic dislocation would arise as they did in Andhra—which was a case of division. In the two units now split—Hyderabad and Vidarbha—there are no problems of building up a capital or creation of new departments or of reorganising the services. The larger amalgamations can have the benefit of the administrative structures of the basic units like Mysore, Bombay, Madhya Pradesh and Punjab. State plans under the second Five-Year Plan would in most cases have to be consolidated and no special difficulty of resources need arise because of reorganisation. The map of India has been tentatively redrawn but it would be interesting to see how much it remains the same and how much less change is now involved than when it was redrawn six years ago. A nation which could achieve that change quietly and effectively would have little reason to lose its balance now.

The Verdict on Indonesia

THE final position of the parties as a result of the Indonesian general elections will take some more time to be known. Reports so far received indicate a high percentage of polling which by itself should reinforce our faith in the future of democracy in Asia. For long it has been clear that only an appeal to the people could solve Indonesia's political uncertainties—because no party knew definitely where it stood in the estimation of the people. Elections have been talked of for such a considerable time that few observers were inclined to take it seriously and it was believed that the successive Nationalist Governments would not risk going to the polls because of their lack of confidence. President Soekarno had often urged that elections should follow the solution of the question of West Irian, thereby making them contingent on an uncertain event. But pressure on Government for early elections had been continuous from other political parties and it is significant that though the Sastroamidjojo Government had made some preparations, it was a successor cabinet which has now hastened the polls. That has been a great gain and those who have seen the electoral process at work in India can know how useful it could prove in educating the citizens, who have remained disfranchised, into taking a serious interest in the business of the country's government.

In Indonesia the problems of organisation of elections have been bigger than what they have been here because there were no elections before in that country and partly because of the numerous islands in the far-flung archipelago which lacks a communications system. The proportion of the voting population was high because of the 18-year age qualification for adult suffrage. There were probably many imperfections which were inevitable in a first experiment but a long period of preparation has enabled the parties to study and improvise polling arrangements which, on the whole, have seemed workable. The mere execution of the task of organising a nation-wide election on this scale was itself excellent training for the administrator and politician, as much as it was for the ordinary citizen. That is the process by which both sections become conscious of the need to serve the citizen. Thus the general elections have a value which far transcends the importance of the victory of any political party.

But elections in Indonesia have been awaited for more important indications concerning the stability of the country and the trends in its policy. The latest reports indicate that the Masjumi Party which has been mildly pro-Islamic is deadheating with (President Soekarno's) the Nationalist Party. In the last six years, only these two parties have alternately held power on several occasions so that they have acquired the status of two major opposing political parties. That position seems likely to continue in the future also. Foreign observers who have often predicted a sweeping victory for the Masjumi have been falsified. One of the chief collaborators with the Masjumi Party has been the Socialist Party, which has now been almost totally eclipsed; in future, the Masjumi will have to seek its allies elsewhere if it should hope to succeed in forming a coalition.

A coalition is inevitable in the Indonesian political situation because of the multiplicity of parties and the system of proportional representation based on the Dutch model which directly encourages the growth of small groups. If the Nahdet Ulama—the highly conservative Muslim group—should agree to coalesce with the Masjumi, there may be accession of sufficient strength to the Right Wing, so far as numbers are concerned, to overwhelm the Nationalist Party. But the natural tendency in such a situation may be for the latter to revive its old alliance with the Communists—which had bedevilled the policies of several Nationalist Cabinets in the past and finally led to resistance from the army which threw the Sastroamidjojo Government from power. All along there was hope that the general elections would result in a situation in which either the Masjumi would emerge with a clear majority or the Nationalists would be able to reduce their dependence on the Communist support in Parliament. Since even now the Communists would prefer a Nationalist Government which they could influence and in whose foreign policy they can acquiesce, the old unstable situation may be continued unless the Nationalist Party can find allies among the other groups, which seems improbable.

Despite accusations about Communist attempts to create violent insurrection during a difficult period in Indonesia's history and about the problem of Chinese nationals—many of whom are members of the party—Communists have been returned in substantial numbers. The net effect is to prevent any immediate conclusions being reached about Indonesia's politics being either to the Right or to the Left. The groups seem evenly divided and if the Nationalists are able to form a Government again—moving the Right into the opposition—the latter, which is already weak due to lack of leaders of great standing with an impressive record in the nationalist movement, will get weaker still in course of time. Apparently, the foreign policy of the Sastroamidjojo Government has helped Nationalists to win popularity. The Bandung Conference could not have failed to serve part of its purpose of impressing the electorate that the Government has spared no efforts to be in the genuine Asian camp of independent neutrality. President Soekarno's pilgrimage to Mecca may not have won him many votes from the Masjumi or the Nahdet Ulama but it could have helped to retain votes which were in wavering hands.

The future of Indonesia, however, will not depend on its foreign policy. The transformation in the world situation will not fail to affect Indonesia also and make many of its hotly discussed problems not relevant to the future. The question of West Irian has now been placed on the agenda of the U.N. General Assembly where it can be discussed with sufficient vehemence without creating an atmosphere of crisis at home. There are other tasks of consolidation of the administration and of economic development which have been imperfectly carried out up till now. A new disturbing factor besides the old Communist influence over Nationalist Cabinets is the power of the army which was successful in changing the Government recently. Whether the Government is Nationalist or Masjumi, the major problems will be largely internal because of the limits to flexibility in foreign policy.

The Electricity Bill

THE introduction of the Electricity (Supply) Amendment Bill in the Lok Sabha at the tail-end of the budget session has deprived the Bill of some importance. The rigidity of the Electricity (Supply) Act, 1948, and the hardships flowing from some of its restrictive provisions became apparent in the very next year of its enforcement. The mild protests of licensees against the inadequacy of the rate of reasonable return, which was prescribed in the Act at the fixed arbitrary figure of 5 per cent, went unheeded, presumably because safeguards and incentives for private licensees were deemed to be insignificant in the context of a grand policy of expansion of the public sector in the industry. When, however, the Bank Rate was raised to 3½ per cent in November, 1951, the hardship inflicted on the industry by an inflexible rate of return which was quite out of tune with the capital market, became too obvious. More than three years of persistent clamour by licensees were needed before Government could see its way to restoring adjustability to the rate of return and flexibility to the financial structure of the undertakings. This is a conspicuous instance where centrifugal tendencies, exhibited by the State Governments, are retarding the smooth administration of a federal Act. But for the indifference shown by these Governments, the broad decisions which were taken at the inter-State conference of February last could very well have been taken at the earlier conference of October 1954, which met only to disperse without transacting any business. In that event, the present Bill could have been expedited and placed on the statute book much earlier.

The amendments proposed to the Sixth and Seventh Schedules to the Electricity (Supply) Act, 1948, are of considerable significance to the financial structure of the licensed undertakings. The most important change which the Bill is introducing is the revision of the basis of the reasonable rate of return on capital. It is to be linked with the Reserve Bank Rate and placed at a point 2 per cent above the rate. This accommodation does not go far enough and at the ruling Bank Rate of 3½ per cent the standard rate of return amounts to 5½ per cent which is half a per cent below the margin consistently pressed for by the Federation of Electricity Supply Undertakings even before. The solicitude shown in the Bill for eliminating and curbing all extra earnings of licensees in addition to the reasonable return may be justified if it is matched by equal zeal in ensuring an appropriate incentive in the rate of return to attract investment. The rate of return is sought to be based on the Bank Rate prevailing at the commencement of the year of account; there is hardly any reason why the statute ought not to make provision for changes in the Bank Rate within the course of the year and relate the standard rate of return to the maximum Bank Rate of the year.

The disparity in respect of tax relief granted to the electricity supply industry and other industries—which arose from the divergent provisions of the Electricity Supply Act, 1910, and the Income-tax Act governing depreciation—and was sharpened after this year's budget proposals—is now being removed. The electricity supply industry will have this new source of unequal treatment removed since the Amending Bill extends to it the benefit of the Development Rebate permissible to other industries in terms of Section 8 of the Finance Act of 1955. This concession, however, is granted with certain conditions attached which cannot but be regarded as reasonable. The proceeds of this tax relief are to be earmarked and appropriated to the Development Reserve to be utilised exclusiveiy for the purposes of the electricity supply business of the undertaking. Logically, this reserve becomes an integral part of the assets and subject to transfer without consideration in case of change of ownership by sale.

The machinery for the regulation of rates has been further rationalised by elimination of sources of delay. The Rating Committee would come into the picture normally when the licensee commits defaults in compliance with the obligations prescribed in the Sixth Schedule or when the enhanced tariffs, proposed to be substituted for the existing charges, are disapproved by the State Government. The intervention of the Committee cannot, of course, be invoked in cases where the licensee has referred the dispute on rates to the arbitration of the Central Electricity Authority. The qualifications incorporated by the amendments promise to be helpful in so far as they ensure the establishment of the Committee within three months of the service of the 'show cause' notice on the licensee and impose a time-limit of three months on the Committee for the purpose of making its recommendations. The maintenance of an official majority on the Committee follows the usual composition of such enquiry agencies, but partial representation is offered to the licensee's interest inasmuch as the Committee partakes of the character of an arbitration machinery.

The changes sought to be introduced in the disposal of the quantum of the licensee's clear profits in excess of the amount of the prescribed rate of reasonable return lack clarity and precision. What the amendment aims at, in brief, is to allocate the excess of clear profits above the amount of reasonable return, where the excess is of the order of a maximum of 15 per cent, in the ratios of half to be placed at the disposal of the undertaking and half to be credited to a special reserve to be designated as Tariffs and Dividend Control Reserve. Where the excess is above this limit of 15 per cent, the portion over and above 15 per cent is to be distributed by way of pro rata rebate or to be carried forward for further distribution to the consumer under the directions of the State Government. There is an overwhelming case for a rates policy which aims at provision of cheaper power. But a common reserve for relief in tariffs and dividends carries with it the risk that the vital claims of dividend insurance may be ignored in the preoccupation with rebate to the consumer. Bifurcation of the reserve would ensure a demarcated allocation for dividend insurance whose need will be urgent as stronger incentives will be necessary to attract the investor.

The regulation of the licensee's power to distribute profits takes still another form and no exception can be taken to it. The restriction which prohibits payment of dividend in excess of 3 per cent, or appropriations to any reserve, or disposal of profits in any other manner, so long as arrears of depreciation or of previous losses are outstanding, is clearly intended to safeguard the security of the capital assets.



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THE WEEK'S NOTES

THE PRESIDENT OF THE U.S.A.

IN THE last few weeks, many aspects of President Eisenhower's illness have been discussed. On the personal plane, there has been universal regret for the illness which intervened just when the President seemed to have settled down during the past year and secured control over his own party, and by his commendable role at Geneva earned great respect, both at home and abroad. It seems very unlikely that Mr. Eisenhower will recover soon; his Press Secretary has warned against over-optimism. His restraining influence over his more excitable colleagues in the crucial months ahead will be absent when problems like the future relations with Russia and China will come up. Even otherwise, how the Government is to be carried on during the President's inability to discharge his duties is not clear in the American Constitution. It says that "in the case of (the President's) inability to discharge the powers and duties of the said office, the same shall devolve on the Vice-President." And last but not least, there hangs a big question-mark across the problem of the nominations for the next Presidential election. That question may overshadow everything else.

There have been two other occasions when the U.S. President was incapacitated. In 1881, President Garfield lay in bed for over two months after being hit by a bullet. Again, during his prolonged and serious illness, in the vital period of 1919-20, President Wilson could not attend Cabinet meetings. Whereas Mr. Garfield approved of his Secretary of State's conducting Cabinet meetings, Mr. Wilson dismissed his Secretary of State for a similar act. Curiously, Mrs. Wilson discharged many of the Presidential functions. It is significant that, in either case, the Vice-President did not assume the office of the President. In the fast-moving world of today, it is unthinkable that matters will be permitted to drift. The language of the Constitution may be ambiguous, but the intention is not difficult to understand, which is that the Vice-President should temporarily exercise the powers and duties of the President, without assuming the office itself. Obviously, the Vice-President cannot take over on his own, and will need a declaration to that effect from the President.

REVISION OF COPYRIGHT LAW

A REVISION of the law relating to copyright has, doubtless, become due not only because the U.K. Copyright Act of 1911—which is the existing statute in India also on the subject—no longer fits in with India's new constitutional position, but also because there has been a growing public consciousness of the rights and obligations of authors. Moreover, such a measure is called for by the new and advanced media of communications such as broadcasting and litho-photography. These requirements are now sought to be met by the 82-clause Copyright Bill, which was introduced in the Rajya Sabha by the Deputy Education Minister, and which will be discussed during the next session of Parliament.

It is difficult to forecast the extent to which a measure of this kind will eliminate literary plagiarism on the part of publishers or individuals in distant corners of the country. The measure, as now drafted, does not, in its punitive provisions, represent a drastic improvement upon the existing legislation. In the place of one month's imprisonment for a second offence, six months' imprisonment, together with discretionary fine, is now proposed. A copyright office is to be established to maintain a register of copyright in which entries would be made at the option of authors. This means that the protection of the law will be denied to those who have failed to register at the copyright office.

To safeguard the interest of such authors as might have sold away their copyright at a cheap price on account of poverty, it has been provided that an author can re-acquire his copyright after seven years of assigning, but before ten years, provided he returns the amount paid to him for the assignment. This is rather curious. Its effect might well be to discourage publishers from taking the risk in respect of nascent authors whose attempts might prove a failure at the beginning but which might subsequently acquire popularity.

Under the existing law, the sole right to translate a work produced in India was extinguished after ten years of publication. It has now been provided that the right to translate would last as long as the copyright. It has also been provided that international copyright relations would be based on international treaties and would be regulated by specific orders to be made by the Central Government. A fair dealing with any work for the purposes of radio summary or judicial proceedings will not henceforth constitute an infringement of copyright.

WEST PAKISTAN

THE COMING into being today of a single administrative unit of West Pakistan marks a vital change in the political set-up of Pakistan. What is infinitely important for the success of the plan is the manner in which it is implemented. A hard test for the leaders of that country is to what extent they can allay the fears and suspicions entertained in Sind and the Frontier region that they may be dominated by the Punjabis. These sections do not seem to have reconciled to the one-unit idea, nor is it possible that mere integration will wipe out local wrangles. Whether or not the plan in action catches the imagination of the general masses can be known only by the results of the election to the new West Pakistan Legislative Assembly.

Meanwhile, the Constituent Assembly stage of the Bill having ended, the anti-one-unit leaders are organising a country-wide campaign to resist integration. The movement being under the leadership of Khan Abdul Gaffar Khan will naturally be peaceful though firm. It will be mainly concerned with mobilising public opinion to offer peaceful agitation. Badshah Khan has touched off a controversy with his brother by insinuating that Dr. Khan Sahib was opposed to welding West Pakistan into a single unit. The fact that he was a Minister in the Pakistan Cabinet and had accepted the call to head the new West Pakistan Government was sufficiently indicative that Dr. Khan Sahib did not oppose the plan, even if it is presumed that personally he may have held different views. As it is, Dr. Khan Sahib is now in the embarrassing position of having to contend with a movement headed by his own brother and erstwhile political colleague. While politics anywhere will admit of such strange alignments, in Pakistan they are less strange and his selection for the post, calculated to counter-act the opposition, was indeed a clever move.

CEILINGS ON HOLDINGS

THE UNION Food and Agriculture Minister had enough justification for feeling a sense of pride at

the current situation in regard to food grains and commercial crops in the country, largely brought about by fortuitous circumstances. The production of food grains, for instance, has increased from 50 million tons in 1950-51 to 65.8 million tons in 1954-55, exceeding the planned target by about 4.2 million tons. Imports are to be reduced to 0.8 million tons this year, while limited exports of rice and pulses have also been possible. Likewise, cotton output has exceeded the target—from 2.9 million bales to 4.3 million bales—while sugar imports are to be stopped in view of the record production of 16 lakh tons. It is now proposed to step up agricultural production, during the second Plan period, by about 50 per cent higher than what was proposed in the first Plan. This means, according to Mr. A. P. Jain, an increase in food grains of about 10 million tons by 1960-61. How far these increases will actually materialise, it remains to be seen, even though Mr. Jain listed several steps proposed to be taken, such as official props for stabilisation of prices, warehousing and credit facilities and increase in fertiliser production.

It was, however, in regard to land reforms that the Minister was on less firm grounds. It may be that about 2.5 million intermediaries on land have been removed, thereby freeing 160 million acres of land, as claimed by the Government. But not only has there been inordinate delay in the setting up of revenue administrations, but this elimination has been achieved by piling up a tremendous amount of cost of compensation which is estimated to have already hit the astronomical figure of some Rs. 500 crores. It would appear that in Part A States, while as much as Rs. 414 crores will have to be paid as compensation, the additional revenue to the State Governments will be not more than Rs. 19.50 crores. The result, it is feared, will be that the compensation at current values will load the present tenants with considerable debts. How, then, will greater efficiency and incentive to production be achieved?

Mr. Jain announced Government's acceptance of the principle of ceiling on land, details of which, he said, would be settled after the Committee set up by the Planning Commission had reported. There are certain important factors to be taken cognizance of, if a realistic policy is to be evolved. It is a moot point whether ceilings on holdings should be fixed in an isolated manner—whether it is not necessary to have ceilings simultaneously in other sectors also if the economy is to be integrated. Again, fertility of land varies from field to field; it is, therefore, essential to see whether the small holdings which would result from imposition of ceilings would really enable a farmer to maintain a family. In a way, fixation of ceilings is inimical to consolidation of holdings and removal of fragmentation. Apart from these, it should be recognised that the peasants today are more concerned about prices of their produce rather than ceilings of land holdings.

THE BOURNEMOUTH CONFERENCE

NOT MUCH business of great importance was ever expected to be transacted at the Conservative annual conference at Bournemouth. Ordinarily, such conferences do not frame any policy, nor is the leadership given any instructions. The 4,000 delegates who attended the Conference had only "the right to be consulted, the right to encourage and the right to warn." Even so, Sir Anthony Eden, who has stepped into leadership at a time when the Conservative party has been reaping the advantages offered by the failings of the Labour party, should profit by such consultation and warning. The party was able to capture a large proportion of the progressive vote during the last election, because it had succeeded in putting to intelligent use some of the good policies of the Socialists. But, in order to prevent a fall, the Conservatives will need to push forward all the time. At the moment, the Tories are facing some important economic issues like agricultural subsidies, labour relations and defence. The delegates will be concerned to know what the leadership proposes to do in such matters, before they return to their respective constituencies.

Some of the resolutions before the Conference, like those dealing with old-age pensions and the possibility of profit-sharing in industry, however, indicate that the Conservatives of today are keenly watching the trend of public opinion. Housing, the amendment of the defective electoral law, and roads were among other subjects for discussion. Surprisingly, the agenda of the Conference suggests that, to the rank and file of the Conservatives, foreign affairs, on which only six motions out of 300 were tabled, are of relatively less importance. But the Middle East and particularly Cyprus are sore points over which the Tories must do some practical rethinking and apply their imagination.

THE DEVELOPMENT OF RIVERS

IN VIEW of the jurisdiction of the Central and State Governments on the development of water resources, as defined in the Constitution, the Government has found it unnecessary to widen the scope of the River Boards Bill, which has been referred to a joint committee of the two Houses. The Bill provides for Central Government's control and regulation in the development of inter-State rivers and river valleys. For this purpose, a Board is to be set up to prepare schemes and advise State Governments on the measures to implement such schemes. Thus, the Board will be only an advisory body having no powers to enforce its decisions. In case of inter-State disputes, the arbitrator's decision will be binding on the States.

Mr. G. L. Nanda, however, has created some misgivings by declaring, in the course of the debate, that the Central Government could "do things which are not done by the State Governments in pursuance of the award of the arbitrator". The undesirable possibility, that the State Governments may become lax in carrying out their obligations, without any undue delay, cannot be entirely ruled out. A consequence can, therefore, be that the Central Government may ultimately be constrained to take up and execute the schemes. That there is urgent need to utilize fully our water power—90 per cent of which is now wasted—needs no emphasis. Much of this waste can be prevented if all concerned work in concert and coordination with one another to discharge the responsibilities devolving on them. In order that this is ensured, it may be necessary to make the decisions of the Board mandatory. Also, in the interests of speedy execution of the schemes, provisions should be introduced to minimise the chances of resort to arbitration. For nearly half a century, disputes over water between various States have defied solution, which has hampered the progress of river valley projects. It is good that the Government has introduced simultaneously two Bills to provide for the setting up of proper machinery to resolve the disputes and regulate the development of the rivers.

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TR 548

A Window on the World

ANGLO-AMERICAN "CO-PROSPERITY"

By

ODYSSEUS

IN ORDER TO HELP US to make up our minds as to the value, if any, of foreign investment and foreign firms in India, we have been considering the effects of American investment on Britain's economy, and last week we established the following facts:

(1) The proportionate share in the total of British exports of American products made in Britain is steadily growing, (2) as also is Britain's share of the world trade in these goods. (3) Whereas in 1954 Britain produced about £550,000,000 of "American" goods, she imported only £140,000,000 from the USA. In 1938, the probable value of such goods produced in Britain was about £150,000,000, or two-thirds of the amount consumed. Which means that of "American" goods bought by British consumers, nearly four-fifths were manufactured in Britain. (4) Whereas American imports cost Britain some £40,000,000 in foreign exchange in 1938, today British "American" exports are worth a net inflow of £100,000,000. (5) The average amount exported by a US engineering subsidiary in Britain is 48 per cent and of a non-engineering subsidiary 35 per cent of its production; both these figures are well above the average exports of British industry as a whole.

Has more remarkable evidence of the mutual benefits of foreign investment ever been packed into one paragraph of less than 150 words? What is the significance of these five facts?

Mr. John H. Dunning, of Southampton university, who published these facts in the latest Review of the District Bank (of Manchester) distinguishes between short-run and long-run considerations. The immediate explanation of the high export achievements recorded by US firms in Britain is that on the one hand the British government in its post-war screening of would-be foreign investors favoured those which offered higher export possibilities; whilst from the American viewpoint the establishment of branch plants since 1945 has been strongly influenced by the world dollar shortage and tariff restrictions which virtually cut off many of their foreign markets. By manufacturing in Britain and selling for sterling (which still remains the trading currency of the biggest single area in the world), these difficulties were largely overcome. Certainly, Mr. Dunning reports that, when questioned, most American subsidiaries less than ten years old gave these as the main reasons for their initial investment in Britain and the sterling area.

PRODUCT SPECIALISATION

But it is important to note that there are "expansionary" as well as "protective" reasons why American companies are achieving high exports. There is, for example, a growing degree of product specialisation, based on comparative production costs in the two countries, being practised by American and British plants. This, of course, enables a firm to secure the fullest benefit of "economies of scale" and long production runs, and is being operated by firms in office machinery, agricultural implements, sewing machines, and the domestic electrical appliances trades. In recent years fluctuating exchange rates have prevented more widespread adoption of this form of international division of labour, which directly enables dollar exports to be earned, yet in all of the above instances British exports to America are exceeding imports from America.

Usually, however, the branch plant duplicates the products of its parent concern; complete interchangeability is in fact demanded where the same foreign market is served by both countries. Market sharing between an American firm and its overseas associates is theoretically illegal under the US anti-Trust laws, though in practice it is difficult to see how this can be avoided altogether. Certainly in recent years there has been a tendency for parent concerns to route all foreign orders via their subsidiaries, and for them to pay more attention to the export market in general. This is to some extent explained by the improved standards of certain European and Commonwealth countries and the prestige which some American goods enjoy. Many of the larger American firms are turning their eyes outwards and are planning to develop an expanding overseas market through their subsidiaries.

Especially is this so where British subsidiaries can produce and sell at lower costs than their parent concerns. This, in part, is simply a reflection of the different wage levels in the two economies, but of greater significance to the future of British exports is that the comparative efficiency of the American subsidiary in Britain is steadily increasing. A number of American branch concerns are now manufacturing at costs from one-third to one-half below those of their parent companies, the greatest difference being in those firms where the size and type of markets served are similar and where labour costs as a proportion of total costs are important. A cost survey recently carried out by one firm manufacturing a small engineering product showed that in every one of its 30 specifications it could produce and sell to Canada more cheaply than its parent plant. This is by no means an isolated example: apart from the mass-production industries (e.g. motor car, domestic refrigerators, etc.), it is the rule rather than the exception that the British firm can produce more economically than its American counterpart; perhaps the median difference in cost is from 10 to 15 per cent. That the American parent companies are increasingly alive to this fact is an encouraging augury for the future of American investment in Britain.

MUTUAL BENEFITS

In fact, there is evidence of a long run tendency for American manufacturing costs to outstrip British. This, assuming that the increasing rate of efficiency of American branch plants in Britain is maintained, and assuming British inflation can be held in check, is likely to further Britain's relative export advantage.

So it seems that American manufacturing firms in Britain, by benefiting from (1) the research and manufacturing experience of their parent concerns, and often (2) from established overseas sales outlets and distribution organisations, have helped to further the growth of Britain's newer exports, and to put Britain in the forefront of developments in international industry. And though the percentage of the newer exports listed last week is still small—about 12 per cent ex-

cluding motor cars—Britain's position is without question healthier than it was in the inter-war years.

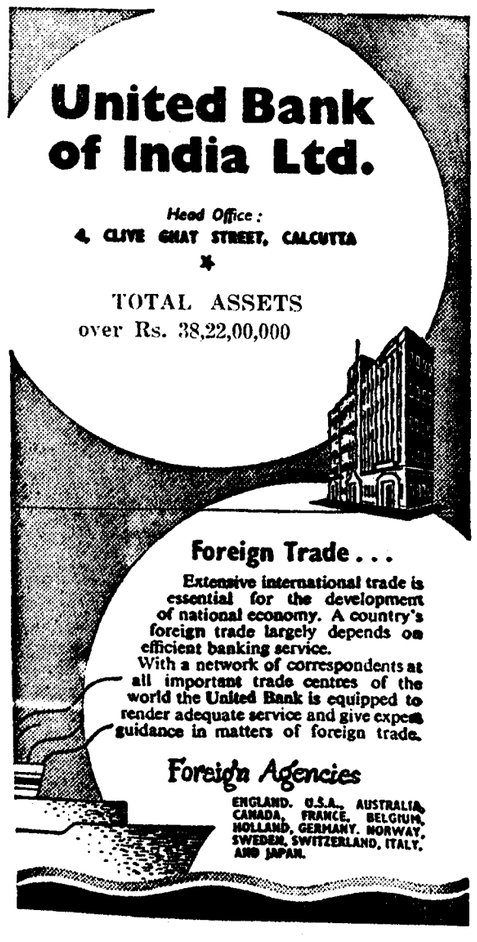
Up to now the outflow of dividends from Britain to the USA has been small; on 1953 profits remitted were only £25,000,000, whilst technical services fees, royalties, etc., by British licencees came to another £13,000,000 (excluding oil and film royalties). This outflow will doubtless grow in future—if it did not, there would be no incentive for American investment —but providing that the export, or import replacement, achievements of the Anglo-American firms continue to expand in like proportion, the net gain to Britain of foreign exchange should continue to rise.

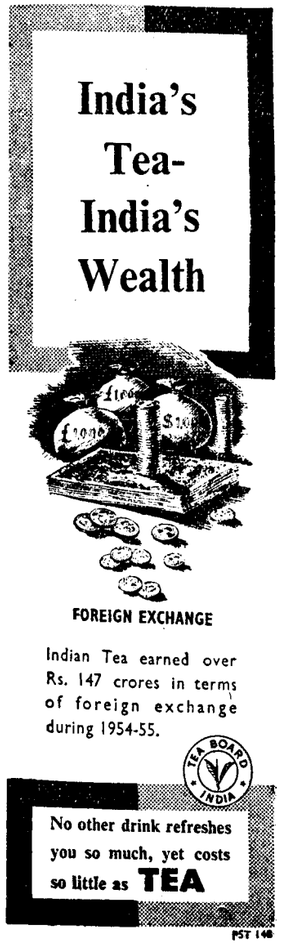
What happens if American concerns wish to repatriate their capital, to sell out or go into voluntary liquidation? Experience suggests that these are unlikely eventualities, and that it is more usual for an American concern as it develops in Britain to obtain a higher percentage of its capital from British shareholders. There are, for example, only a minority of American firms which have been in Britain for more than 25 years in which American shareholding is still 100 per cent. Even in private companies foreign ownership is gradually lessened as the number of British directors increases.

What effect would an American slump have on these Anglo-American firms? Should surplus capacity arise in the parent market would the American firm prefer to contract or shut down its subsidiary rather than cause unemployment in the USA? Mr. Dunning considers that these possibilities are for various reasons unlikely, especially where the subsidiary has the cost advantage; certainly, this course of action was not taken during the 1949 recession.

Among the indirect effects that US investment has had on Britain's foreign trade, there are (1) many examples of British subsidiaries exporting products back to the parent company at a lower cost than the parent company would have to pay to its home suppliers, e.g., electrical equipment, plastics, casting, high quality steel strip, etc. and (2) the methods of American managed concerns have had good repurcussions on the efficiency of their British competitors.

Thus the twentieth century is witnessing a new form of international division of labour: Britain is benefiting from American research and development experiences (particularly in the very important "pilot" stage of production), while America is benefiting from the differential in British manufacturing costs and the skill of British labour, and indeed of British research, which, it is often forgotten, pioneered not only radar but the atomic age itself.





A DELHI DIARY

AT VESUVIUS

A MOUNTAIN BY THE SEA

FROM Bari to Naples: from Naples to Vesuvius. I wonder whether this is a suitable ascending order of magnitude or interest. I will have nothing to say about Naples which to my rebellious mind has received rather more attention in romantic accounts of Italy than it deserves. The Bay of Naples is still as attractive as it ever was, because, amongst other things, its geography has not changed like the country round about Vesuvius. Nor has it been damaged by the fiery mountain as was Pompeii which lies below. It does seem, however, that the Bay of Naples is very like any other bay, pleasing for its curves and for its picturesqueness. My preference (cruel man that I am) is for Vesuvius—an active volcano into whose crater one can look with awe and a sense of the majesty of Nature against the pettiness of man.

We in India who have had a great volcanic tradition, but who have been (happily) spared from volcanic eruptions in recent times do not appreciate the courage which goes with the life of volcanoes. Vesuvius has erupted half a dozen times in the last seventy years and apparently there is a cycle of twelve years which still operates. I was (agreeably) informed there was no immediate eruption in prospect, but that 1956 which is the twelfth year since the last eruption in 1944, was one to be feared. Therefore if any Indian visitor desires to look down this crater he should proceed to his destination early, preferably before February next year. I must convey this urgent warning to Indian tourists lest they should imagine that my experiences near the crater can be duplicated in an indefinite period!

REMNANTS FROM MUSSOLINI

The road up to Vesuvius and the funicular up to the crater belong to an age which Italy is striving strenuously to forget—the Age of Mussolini. In the revulsion, experienced in most Italian quarters following the humiliation of total defeat, there has naturally been a tendency to decry everything that Mussolini did. There is not, of course, a universal move and, as I mentioned in the last Diary, there are incipient Fascists to be found in not a few places in Italy even to this day. It is, however, possible to take a non-political view of a great deal of Mussolini's building work. The fine road from Naples going out twenty miles to Vesuvius and to Pompeii is one of these. It is a remarkably spacious achievement not necessarily part of the Empire concept which failed—like the Colonial Office in Rome which has now happily (for a rent of one dollar) been placed at the disposal of the Food and Agricultural Organisation of the United Nations.

REDUCED ROMANCE

After a coach journey of nearly an hour in the process of which one rises to about 3,000 feet one reaches a platform from which a funicular takes one the remaining 1,000 feet to the top of the present Vesuvius. Alas! the present Vesuvius has lost considerably in romance; its height being only 4,000 feet as against the terrible 12,000 feet mountain which enveloped Pompeii. It is also a far smaller crater than has been described in numerous frightening pieces. It is only 1,500 feet in diameter and possibly less than 500 feet deep at the present time. Worse than all there is no hollow through which one can see the interesting bowels of the earth.

The only sign of activity in Vesuvius today is a flow of steam which comes through cracks in the crater wall to indicate that something is cooking below. The observatory on Vesuvius keeps watch daily on these sinister movements. I have it on high authority, however, that no vicious ingredients have yet been put into the mixture. It would seem that the people who live on the sides of Vesuvius who, one is justified in thinking, must be living in fear and trembling have good cause for their great complacency.

We who live in fear of Nature, which has visited us with the terrible floods in the Punjab in this last dreadful week, need, I think, to extend a special tribute to these remarkable people who live and work and have their being on the sides of an active volcano. Things must have been pretty desperate for them to choose this hazardous method of living. But some of their efforts afford protection to others; perhaps their sacrifices have thus more than individual purpose. In particular may I pay the warmest tribute to those who have raised the forests on one side of Vesuvius? There can be few more remarkable schemes of afforestation anywhere in the world.

TERRA FIRMA, PLEASE!

One last warning I should give to the prospective Indian visitor. I have no doubt that I am at heart a coward, timid of new things and fearful of violent movements in the air. I like my terra firma and, like the frank traveller in a plane for the first time, I frankly confess that the firmer the terra, the less is my terror. The funicular on Vesuvius is quite a frightening affair. The animals go two by two, in chairs which look quite delicate although they are perfectly safe. The operation, however, of being swung off the terra firma at either end is one calculated to dismay the stoutest of hearts. I have already admitted that I am a timid character. Need I describe my further feelings?

At the end of nearly a fortnight's stay in Italy, the thought which comes uppermost to my mind is the ignorance amongst even well-read Italians of recent events in India and, particularly, of the remarkable performance of the Indian economy. I have not questioned my friends in India on the Italian political and economic situation but I imagine because of the Italian Renaissance, illustrated in thousands of pictures in books available to educated Indians, there is a feeling for Italy which is warm and interested. Cannot something be done by exchange of scholars at research level and by official delegations on both sides to see whether some more intimate working together would not be fruitful on both sides? I do not refer only to Fiat cars and Innocenti scooters; but, since I am on the subject, I must as well say that one thing we should certainly not copy from Italians is the uncontrolled speed at which every mechanical vehicle feels it must overtake everything in sight!

ARGUS.

In the Valley of Decision

METHOD IN MAP-DRAWING?

"ROLL up that map; it will not be wanted these ten years" said William Pitt about the map of Europe soon after the Battle of Austerlitz. Perhaps, Mr. Jawaharlal Nehru would have said the same, if he had his way, to those who have been seeking to re-draw the map of India according to their own fancies. He did not have his way—first in the matter of Andhra and then in respect of India. The appointment of the States Reorganisation Commission was a response to a continuing pressure; and the most curious thing is that at the end of it all, there has been apprehension for some time that the report may prove an apple of discord. Hence the appeals for patience, calmness and a spirit of patriotism in considering the Report. The Prime Minister's broadcast to the nation on Sunday put the question in perspective by giving precedence to the North Indian floods, which the Report so closely followed in point of time. Will the tides of controversy prove easier to stem or their damage easier to repair?

It is too early to say yet. It is necessary not to overlook the fact that the status quo will be largely maintained in about eight States and the adjustments between Madras and Kerala will not cause trouble, except perhaps in the Tamil taluks retained in Kerala. The creation of Karnataka is a response to popular feeling; and its population of 19 millions will be larger than the total of Kannada-speaking people in India by 4.5 millions. If there is dissent at all it must have internal origin, and would help to disprove the theory that there is a basis for homogeneity in a common language. The reluctance of some groups in Mysore to join a larger Kannada-speaking unit may not prove a source of anxiety. The formula devised for Hyderabad's accession to Andhra may still suffice, in spite of the insistence on this question being decided before the elections, but should composite Hyderabad be broken up at all, if compositeness is in itself not vicious? There is unconcealed and almost indiscreet satisfaction in Gujarat over Bombay. All these considerations point to the Marathi-speaking areas and the Sikh demand in the Punjab as the only potential sources of discord that would test the statesmanship of India's leaders. But even these two may be trying enough.

There is no need to assume that the Report will be implemented "in toto", though there are some sections naive enough to believe that an Act of Parliament would just do the trick. What the leaders of India want is that once decisions are taken on the basis of this Report there must be an end to controversies about boundaries—not that the decisions on the Report should not be based on the freely expressed opinions of the people. Without bitterness, violent tactics or agitation everything can yet be done to alter, amend or substitute the recommendations, provided there are manifestly superior alternatives. There's the rub. The question is, are there such alternatives?

That is for the politicians to discover and no Commission, however high-powered, can take over that role from them. The States Reorganisation Commission has actually attempted to take over that responsibility too and the main weakness of the Report is due to its having exceeded its terms of reference. "The Government expect" said the terms of reference "that the Commission would in the first instance, not go into details but make recommendations in regard to the broad principles which should govern the solution of this problem and, if they so choose, the broad lines on which particular States should be reorganised..." Such broad paths were not acceptable to the Commission; within much narrower scope it found free play for its urge to settle issues as conclusively as it could—down to districts, taluks, tehsils, sub-tehsils, sub-divisions, "pakuthy" or town—on ad hoc principles.

No wonder then that even the Prime Minister could not conceal his feeling of surprise from the listeners of his broadcast on Sunday. The investigation "objectively and dispassionately" of an essentially political problem could not become an occasion to make an award, though the conclusions themselves may be largely sound or inescapable. Oftentimes a compromise between two sets of politicians may work more smoothly than an arbitrator's decision, however well conceived, and the Commission would probably lose more than gain by its preoccupation with the smaller problems of boundary adjustments. What would have been difficult enough if the Commission had applied a uniform set of principles has been made more so by the shifting standards applied on each occasion without no more reason than the Commission's own "ipse dixits".

The Commission would have greatly helped the political process, which must in the last resort decide, if it had been more informative and had elaborated at length on the pros and cons of various courses open in a given situation and indicated the most practicable solutions. That would have added prestige and reduced the rancour which it now creates by appearing to decide everything. The Government has already indicated that the whole Report would not be binding on Parliament but its broad conclusions may prove acceptable, though not its details. There was no reason for the Commission to assume that its financial and economic data—which one must hope were not wholly overlooked—were there to be concealed and not shared with the public which may like to judge issues on such particulars or assess the economic consequences of alternative solutions on their basis.

If the politician has to come in to allay fears and suspicions to prevent bitterness or passion, then he cannot be tied to a Procrustean bed of conclusions. The redrawing of India's map, legitimate in a figurative sense, has been undertaken by the Commission in a literal way—and most amusing of all—without a map in the Report itself. There are only four substantially new States created by aggregation—Bombay, Punjab, Madhya Pradesh, Karnataka—and two by separation—Vidarbha and Hyderabad. In all aggregations one can work on the sound principle that there will be added economic and financial strength so long as there are established headquarters working as going concerns able to take on more responsibility—unlike Kurnool. And when Kurnool has worked after separation, need Hyderabad or Nagpur fall behind?

And so the country must now turn to the centres of political decision and await the results—but with patience and humility which the complexity of this problem which is not diminished by the Report, must induce.

LEO.

WORLDGRAM

AGRICULTURE

Production of Cereals: The production of cereals and the area under cultivation in India during 1953-54, established an all-time record, according to a publication entitled "Estimates of area and production of principal crops in India 1953-54" brought out by the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. The area under cultivation was 210 million acres and the production of cereals was 56.1 million tons. The production of cereals exceeded even the target envisaged in the first Five-Year Plan at the end of 1955-56 by 3.6 million tons. The production of rice crop was estimated at 27.1 million tons, the highest on record. Individually the acreage under rice and cotton have also set up new records of 76.6 and 17.0 million acres respectively. The production of cotton at 39.4 lakh bales exceeded the 1950-51 production by 10 lakh bales when the cotton development scheme was first launched in the country.

*

Record Wheat Output in India: Reporting that wheat production in India has risen from 7,900,000 tons to a new record of 8,500,000 tons, the Commonwealth Economic Committee's survey of grain crops, says that current estimates for northern hemisphere countries suggest that the 1954 fall in wheat production from the peak level of the previous two years has been reversed, though in Pakistan and Japan there has been some decline. Total production in Europe is likely to equal the 1954 figure. Record yields in England and Wales have, in part, offset the substantial reduction in U.K. acreage. Heavy yields in France, Western Germany, Austria, Belgium, Greece and Yugoslavia are also reported while Spain, Portugal and Scandinavia have lighter harvests. Among the countries of the Middle East and North Africa, only Turkey appears to have an appreciably better harvest than last year. The United States crop has fallen by approximately 1,500,000 tons, but Canada's output is expected to show a rise to 13,400,000 tons in comparison with last year's low figure of 8,000,000 tons. Details of southern hemisphere harvests will not be known for some months, but the crop in Australia is reported to be in good condition, although that of Argentina may be affected by drought.

INDUSTRY

Electricity Output For June: During June this year, 696 utility power stations in India, including four new generating and one purchasing undertakings, produced 713.6 million kwh of electricity. Of this, 576.1 million kwh were sold to ultimate consumers. The new generating undertakings are the Government Steam Power Station at Chatrapur in Orissa, at Mirganj and Hazipur in Bihar, and at Sankheda in Bombay, while the purchasing undertaking is at Sakhigopal in Orissa. As compared to May, the power generation increased by 9.6 million kwh. The corresponding figures of output and sale for June, 1954, are 625.3 million kwh and 510.3 million kwh respectively and for June, 1939, 209.9 million kwh and 177.2 million kwh respectively.

*

U.S. Industry's Expansion Plan: With the announcements by the Ford Motor Company and the Goodyear Tyre and Rubber Company of expansion programmes totalling $600 million, American industry has disclosed plans to spend more than $1,000 million for expansion to keep pace with the nation's growing economy. Henry Ford, second, disclosed recently that his company will expand $500 million next year as proof of conviction about the future American economy. Chairman P. W. Litchfield of the Goodyear Tyre Co., announced that the company was engaged in a two-year expansion and improvement programme involving an outlay of $100 million. Expenditures are for both new domestic plants and factories in Scotland, Colombia and Evenezuela. Plans also call for enlarging present plants in England, Sweden and Luxembourg. Eastern Airlines announced a Five-Year $350 million jet-powered plane acquisition programme. Studebaker-packard Corporation has reported a $100 million expansion and modernization programme and other expansion plans were announced by steel, utility and oil firms.

*

Packing Charge for Cement: On March 27, 1954, the Government of India announced that packing charges for cement would be fixed every quarter on the basis of the average of the maximum and minimum market price for packing material during each week of the immediately preceding nine months plus Rs. 1-4 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 14-4 per ton. The packing charges for next quarter commencing from October 1, 1955 work out to Rs. 13-15 per ton. The Government of India have informed all the State Governments of the revised packing charges. The above packing charges are applicable to cement packed in new bags only. Packing charges for cement packed in old bags will be a matter for settlement between the buyer and the seller subject to the maximum indicated above.

*

Standard for Drilling Jig Bushes: The Indian Standards Institution has published a standard for drilling jig bushes. The standard covers the three types of bushes, press fit bushes (headed and headless), renewable bushes (slip and press fit) and liners (headed and headless) which are widely used in the modern workshops for use with drills and reamers. The dimensions given are intended to secure interchangeability of bushes and liners and fit into jig-plates. Taking into consideration the adoption of the metric system of measurements in the country, as envisaged by the Government, metric dimensions have also been included in the standard.

*

Coal Production Target Under Second Plan: The Deputy Minister for Production stated that it had been proposed in consultation with the Planning Commission that the target of additional production of coal should be 23 million tons annually by the end of the second Five-Year Plan, bringing the total annual production to 60 million tons. The allocation of the increased output between the private and public sectors had not yet been finaliy decided upon.

*

Production of Electrolytic Manganese: Experiments at the Central Electrochemical Research Institute, Karaikudi, have shown that electrolytic manganese can be produced from the low grade ores. Experiments were conducted with indigenous low grade ores containing 30 per cent manganese from Sandur in Mysore State at a semi-pilot plant scale unit, set up for the purpose at the Institute. As a result of these trials a daily output of 10 lb. of manganese metal of over 99.9 per cent purity has been obtained.

FINANCE

Taxation on Burmah Income: The Government of India are negotiating with the Burmese Government for concluding an agreement to avoid double taxation on the income of Indian merchants in Burma. Meanwhile, instructions have been issued to Income-tax authorities in India to stay the recovery of a part

of the tax due on Burma income, doubly taxed in the two countries.

*

Loans for development of Handicrafts: The Government of India have sanctioned further loans and grants totalling over Rs. 4,30,000 to States and the All-India Handicrafts Board for the development of handicrafts. On the recommendation of the All-India Handicrafts Board, Madras has been given two grants of Rs. 1,50,000 and Rs. 3,680. Uttar Pradesh gets six grants totalling about Rs. 1,04,8000 for the development of handicrafts. Punjab gets a loan of Rs. 60,000 for installing a calendering plant for furnishing fabrics at Panipat. Pepsu a loan of Rs. 20,000 and a grant Rs. 10,870. The All-India Handicrafts Board has been sanctioned an expenditure of Rs. 21,500 for the celebration of "Handicrafts Week" and an expenditure of Rs. 3,000 for organising a handicrafts week in Bhopal State. Mysore has been given a grant of about Rs. 9,840 and Bombay a grant of over Rs. 9,700 while a sum of Rs. 6,400 has been sanctioned to Orissa.

*

Japan's Sterling Surplus: Japan's surplus with the sterling area continues to increase. Official Japanese estimates of the balance of payments in the first half of this year, show a sterling surplus of £29 million. This compares with a surplus of some £21 million for the whole of last year. It is estimated that the Japanese sterling surplus for 1955—assuming that current trends continue, without any change in Japanese import policy—may go as high as £60 million. Japan's balance of payments with the world at large has improved sharply since the beginning of the year. Even the dollar account showed a surplus of $78 million in the first six months of 1955, compared with a deficit of $207 million in the same period of last year. Dollar receipts over the same two periods rose from $547 million to $615 million. Japan's overall balance of payments during the first six months produced a surplus of $140 million compared with a deficit of $177 million in the same period last year.

TRADE

Cotton Import: There has been some increase in the imports of cotton textiles from the United Kingdom in May, June and July 1955 as compared to imports in May, June and July 1954, as shown below:

	May to July 1954	May to July 1955	Percentage Increase
Quantity (thousands of yds.)	708	766	8.2%
Value (thousands of Rs.)	13,63	17,81	30.6%

The increase in imports is more due to liberal licensing policy for these goods in January-June 1955 period as compared with the policy for these goods in January-June 1955 period as compared with the policy for January-June 1954 period.

*

Export Promotion Councils: Export Promotion Councils for cashew and pepper and engineering goods are to be registered in the next few days. An Export Promotion Council for plastics had already been formed. Besides these, Government also proposed to help in the formation of Export Promotion Councils for tobacco, leather and leather goods, mica, shellac and sports goods.

*

Foreign Trade of India by Land During August: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during August 1955 are as follows: Merchandise Exports—Rs. 29 lakhs; exports to Eastern Pakistan Rs. 13 lakhs; exports to Western Pakistan Rs. 15 lakhs; and exports to other countries one lakh. Merchandise Re-exports—nil. Merchandise imports—Rs. 164 lakhs: Imports from Eastern Pakistan Rs. 146 lakhs; imports from Western Pakistan Rs. 18 lakhs; and imports from other countries—negligible. Total trade—Rs. 193 lakhs. Trade in treasure—negligible. Balance of trade: The total value of exports fell short of imports by Rs. 135 lakhs.

*

Export Allotment of Tea: The Minister for Commerce, Sri D. P. Karmarkar, informed the Lok Sabha recently that Government had authorised an interim release of an export quota to tea estates up to 60 per cent of the total crop in 1955-56, which worked out to 412 million lbs. No final export allotment had so far been fixed. During the period April to July 1955, about 68.2 million lbs. of tea had been exported.

*

Increase in India's Trade with Tibet: India's trade with Tibet had gone up to some extent since the Sino-Indian agreement on Tibet. According to the figures of estimated value of India's total trade with Tibet, India's exports went up from Rs. 2,01,12,000 in 1953-54 to Rs. 2,71,07,000 in 1954-55. During the same period, imports from Tibet increased from Rs. 1,00,00,000 to Rs. 1,26,57,000.

MISCELLANEOUS

Caltex Refinery: The Caltex Oil Refining (India) Ltd., is reported to be thinking of offering Rs. 2 crores worth of debentures in the near future. According to reports, these debentures will be sold at par in multiples of Rs. 5,000 each and interest rate on them will be 5¼ per cent. As regards redemption it is believed they will be redeemable at par in equal instalments by drawing of Rs. 40 lakh in each of the years 1966 to 1969. All outstanding will be redeemed on October 1, 1970 at par. The Caltex will reserve the option to redeem all debentures issue at Rs. 101 per cent on October 1, 1965. The money raised by this offer will be used to build a refinery at Vishakapatnam. Gross yield on these terms may be calculated at 5.25 per cent while net yield is 3.87 per cent. These terms it is thought are in line with the current market ideas. The capital cost of refinery is estimated at Rs. 12½ crores. The company's authorised share capital is Rs. 6 crores. It has been divided into 1½ lakh preference shares of Rs. 100 each, all of which are unissued, and 4½ lakh ordinary shares of Rs. 100 each. When the debentures are issued, the ordinary shares will be 5 per cent paid-up. The refinery has been designed to process 6.75 lakh tons of crude oil annually. The Indian Government has given an assurance that it will not take over the refinery for public purposes for 25 years after full-scale refinery operations commence.

*

Employment in Sugar Industry: The average daily employment in the sugar industry in India during 1953, was 82,760. The corresponding figure of employment during the first half of 1954 was 76,648. These figures are based on the returns received under the Factories Act, 1948, from 10 Part 'A' States, and 4 Part 'C' States of Ajmer, Delhi, Coorg and Andaman and Nicobar Islands. According to the verified membership figure, as on March 31, 1954, the number of those enrolled as members of the Indian National Trade Union Congress was 38,264. The Minister further added that the Hind Mazdoor Sabha did not submit the return of the membership of its affiliated unions for the year ending March 31, 1954, and the All-India Trade Union Congress submitted the return in January, 1955, although it should have been submitted in September, 1954. Therefore, no verification of its membership could be undertaken. The United Trade Union Congress did not mention membership of its affiliated unions in their return.

NEWS IN BRIEF

INDIAN

The National Plan Certificates are at present issued in denominations of Rs. 25,50,100 and Rs. 500. In order to enable persons to invest smaller amounts in these certificates, the Government of India have decided to introduce with effect from November 1, 1955, two additional denominations of Rs. 5 and Rs. 10.

*

As part of its health programme, the Community Projects Administration has already set up 375 primary health centres in areas covered by the Community development programmes.

*

In the course of last seven years, the Rehabilitation Finance Administration has given loans amounting to Rs. 275.87 lakhs to refugees from East Pakistan and Rs. 693.75 lakhs to those from West Pakistan.

*

Although World trade in Cotton textiles declined by 9 per cent during the first half of 1955 as compared with the same period in 1954, India's exports dropped by 6.1 per cent only and she continued to hold the second place in the trade. Japan and U.K. lost by higher percentages in their exports.

*

The Community Projects Administration has drawn up a scheme under which village leaders selected from various States will be given practical training by sending them to other project areas to enable them to study the methods adopted there.

*

The per capita consumption of cotton textiles in the country in 1951 was 11.86 yards as against 15.4 yards in 1948.

*

The Bombay High Court has held that Rule 6(1) (1)B of the State Sales Tax Rules, which purported to make the buyer liable to pay sales tax, instead of the seller, is ultravires the Bombay Sales Tax Act.

*

A production target of 75,000 telephones and 40,000 automatic exchange lines has been set for 1956-57 by the State-owned Indian Telephone Industries, Bangalore. The Company is also aiming at manufacturing in 1956-57, 50 single-channel carrier equipment and four 12-channel carriers.

*

With a view to promoting greater participation by workers in production programmes, the Indian Telephone Industries, Bangalore, have instituted a system of making awards to workers for suggestions to improve the quality or the outturn of manufactured items. A suggestions Committee has been set up in the factory to examine suggestions from employees and recommend suitable awards.

*

The Government of the United States have offered 20,000 tons of food grains for free distribution in the areas affected by the recent floods in India.

*

The cotton textile export promotion council will shortly open offices in important textile markets overseas. Four offices are expected to start functioning by the end of this year.

*

The National Plan Certificates issued in May last year have now attracted over half a million subscribers. Till September 17, 1955, certificates valued at Rs. 11.68 crores were purchased by 5,50,220 persons. The average monthly subscription rate is about Rs. 75 lakhs.

FOREIGN

The two major oil companies of the World, namely, the Royal Dutch-Shell Group and Esso Petroleum, have planned new tanker building programmes, which are expected to cost a total of over £70 million. U.K. shipyards have received just over half of the total contracts.

*

The Directors of Anglo-Ecuadorian oilfields have announced that they have received an offer of 50S. for a minimum of 51 per cent of the Company's 1,500,000 shares of £1 each. The company owns concessions in Ecuador for mining oil in about 310 sq. miles. The output of crude oil for the year ended 31st March, was a record of 313,031 tons.

*

The U.S. Civil Aeronautics Authority (C.A.A.) has predicted that by 1965, airlines and private plans will carry more than half of the travelling public in the United States, as compared with the current figure of 29 per cent. The C.A.A. expects that, by 1965, the domestic airlines will carry 70 million passengers a year, more than double the 1954 load.

*

The Anaconda Company has requested authorization from the Chilean Government for investing $21 million at chuquicamata for plant expansion, so as to produce an additional 45,000 metric tons of electrolytic copper yearly.

*

A trade protocol providing for an exchange of goods between Iceland and the Soviet Union was signed in Moscow recently. The Soviet Union is to supply Iceland with oil products, cement, ferrous metals, motor vehicles and other goods in exchange for fish products.

*

A Five-Year Plan for the improvement of health standards in Iraq has been drawn up and £10,750,000 has been allocated for it. A sum of £3,000,000 has been set aside for establishing a 'medical city'.

*

Yugoslav industrial production which marked its usual decline in July, registered a substantial increase in August. The production index rose from 123 points in July to 132 points in August (1953-100). This index amounted to 117 points in August last year.

*

The total value of Afghanistan's foreign trade in transit through Pakistan for the month of June, 1955, amounted to Rs. 3,444,552, according to figures released by the Central Statistical Office, Karachi.

*

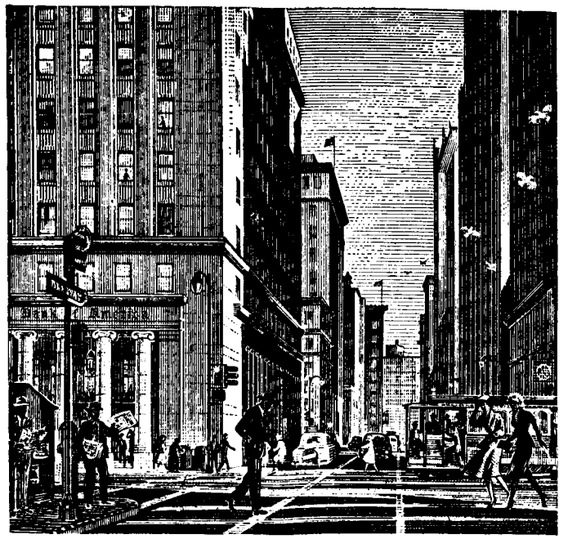
Exports of greese and scoured wools from Uruguay from 16th September to 31st December this year will be allowed a special bonus of 21 centesimos per dollar of foreign currency, earned. The bonus will remain in effect during the period stated, provided world wool prices do not advance more than 15 per cent.

*

It is reported the Soviet Union is rendering technical aid to economically underdeveloped countries through the United Nations Organization. It has contributed 13.4 million roubles to the technical aid fund of the UNO.

*

The Ceylon Government has approved the establishment of a factory for the manufacture of tyres and other rubber goods by a leading American firm in collaboration with local interests. The Company will be formed with an initial capital of Rs. 15 million out of which Rs. 5 million will be equity capital.



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RESOURCES

Cash and Due from Banks	$ 1,446,058,783.14
United States Government Securities and Securities Guaranteed by the Government	2,241,000,424.34
Federal Agency Securities	173,596,191.18
State, County, and Municipal Securities	590,106,961.58
Other Securities	109,285,913.01
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,252,410,322.99
Other Loans and Discounts	3,049,681,759.30
Accrued Interest and Accounts Receivable	50,756,654.10
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	80,437,247.09
Other Real Estate Owned	1,884,091.63
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	231,605,567.34
Other Resources	2,764,055.93
TOTAL RESOURCES	$ 9,240,087,971.63

LIABILITIES

Capital	$ 150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits	122,206,954.85	
Reserves	5,647,746.64	
TOTAL CAPITAL FUNDS		$ 477,854,701.49
Reserve for Possible Loan Losses		66,752,053.04
DEPOSITS Demand	$ 4,160,622,659.36	
DEPOSITS Savings and Time	4,229,974,345.42	8,390,597,004.78
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		233,983,923.42
Reserve for Interest Received in Advance		41,093,906.31
Reserve for Interest, Taxes, etc.		29,806,382.59
TOTAL LIABILITIES		$ 9,240,087,971.63

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Condensed Statement of Condition June 30, 1955

RESOURCES		LIABILITIES	
Cash and Due from Banks	$ 99,933,360.20	Capital	$ 10,000,000.00
United States Government Obligations, direct and fully guaranteed	23,490,150.62	Surplus	4,000,000.00
Other Securities	9,719,182.00	Undivided Profits	417,506.02
Loans and Discounts	64,619,678.74	TOTAL CAPITAL FUNDS	$ 14,417,506.02
Accrued Interest	300,963.61	Reserve for Possible Loan Losses	920,291.83
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	47,905,603.73	Deposits	131,652,927.07
Other Resources	531,412.05	Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills and Notes	48,071,649.52
		Reserve for Interest Received in Advance	199,149.84
		Reserve for Interest, Taxes, etc.	570,922.27
TOTAL RESOURCES	$ 195,500,350.55	TOTAL LIABILITIES	$ 195,500,350.55

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Special Articles

SOME CONSEQUENCES OF REORGANISATION OF STATES

THE results of giving effect to all the States Reorganisation Commission's proposals are summarised in the table below. It will be seen that in respect of eight major States (of which only two are now classed as Part B States) there will be no substantial changes. This will comprise nearly half the country's population. That does not mean that there will be no controversies, because disputes even over small strips of territory can take on a serious shape. But in terms of administration, or of financial consequences, the disturbance that will be caused in these cases is at a minimum. The merger of Tripura in Assam and of Ajmer in Rajasthan are both inevitable. There are small boundary changes between Bihar and West Bengal, involving a gain of about 4000 sq. miles by the latter, which may have psychological repercussions but hardly much in other respects. Already the net effect of the D.V.C.'s operations is to control floods in Bihar but to utilise the waters so controlled for irrigation in West Bengal; the effect of the boundary changes now proposed cannot involve anything much different. U.P. and Orissa will maintain the 'status quo'. Andhra's recovery of three Bellary taluks lost by the Mishra Award may add some trouble besides territory but will secure control over the Tungabhadra works. The State of Jammu and Kashmir is altogether in a different category. In all these areas there is no conceivable dislocation to the functioning of the administration as before.

Madras and Kerala belong to the second group of States where moderate changes have been made. By transferring to Karnataka the South Kanara district (except Kasaragod taluk) and to Kerala the whole of Malabar and Kasaragod taluk, some of the difficulties in administration of distant areas will be reduced, while the advantage of unilingual areas may be considerable. Malabar district has been a deficit area where development expenditure has been incurred only from the resources of the composite State of Madras. Further, the administration of the Laccadive and Amindive islands—which are inaccessible for a major part of the year—through the Collectors of Malabar and South Kanara has not been too close and one must hope that in the new State of Kerala the links with the islands will be closer. Malabar, according to the States Reorganisation Commission, is not as much in deficit as is generally assumed. The Commission has, at the same time, sought to reduce the financial and economic disabilities that may arise from the transfer of the Tamil taluks of Travancore-Cochin to Madras. The heavy revenue from Devikulam and Peermede will be assured to Kerala; the former taluk will remain the source of power and an area for land colonisation for Kerala—matters which have justified the Commission's making departures from the linguistic principle which it has unhesitatingly adopted where Kasaragod or Kollegal taluks were concerned. The net position of Kerala cannot in any case be worse than that of Travancore-Cochin.

That leaves only six other States which have undergone substantial change. In all cases except one, namely Hyderabad, the change has been in the direction of expansion of area, the extreme case being that of Karnataka which will have to pick up small and big areas from all around and will have a problem of transition to uniform administrative principles in them. Communications and transport in this area have been difficult because railways do not connect the main areas; from Mangalore to Bellary or Belgaum it has often been a far cry. The Commission has estimated the deficit of Karnataka at Rs. 1.5 crores and the problem of development in areas like Malnad may add heavier burdens. But the favourable factor is that, unlike Andhra, the State will start with the excellent capital of Mysore State and other departments and with the administrative personnel from the Madras and Bombay districts (even if men from the Hyderabad districts and from Coorg are not as well trained). The unfavourable factors need not, therefore, be exaggerated and as and when railways connect the main towns and the new port Malpe is developed, the State can become strong on its own—provided, of course, its sectional rivalries are not carried to the point of defeating development.

Bombay, which all along has had larger financial resources in relation to its population than other States, is now in a position, because of these resources and the high degree of administrative efficiency, to take care of Saurashtra, Kutch and the Marathwada districts of Hyderabad. If Vidarbha—which is expected to be a surplus State—should later join Bombay, the position will be strengthened; but for the present there is assurance enough that neither will be weak by remaining separate.

PEPSU and Himachal Pradesh have ordinarily shown surpluses on revenue account in the past so that they cannot be considered to be liabilities to the new expanded Punjab and in future it is inevitable that the problems of development will necessitate common policies which will be facilitated by integration. In any case, the resources of the new units will not be poor though the people of Himachal Pradesh may not have advanced well in the past. At any rate, Punjab considers it economically advantageous to integrate this area. In the case of the new Madhya Pradesh, the States Reorganisation Commission expects a "comfortable revenue surplus" or at least no difficulties; though the residuary Madhya Pradesh will be weakened by the separation of Vidarbha, it can be offset by the other three units now merging with it. It will be a State with plenty of undeveloped resources in a vast area with a sparse population. The residuary Hyderabad State will also, it is said, be financially viable.

Thus the States Reorganisation Commission seems to have achieved the feat of creating financially solvent units in most areas excepting Karnataka. That is the chief point in favour of its recommendations, though this point is unlikely to strengthen conviction where the proposals are politically unpalatable. Part of the reason for this success lies in the non-duplication (except in Vidarbha) of separate and costly headquarters establishments, or expenditure on separate State capitals, as in Andhra, and even in Vidarbha the facilities

SURPLUS AND DEFICIT ON REVENUE ACCOUNT OF THE MERGING STATES

(+ or —) (In lakhs of rupees)

	1951-52	1952-53	1953-54	1954-55*
Bhopal	..	+ 13	— 3	— 13
Vindhya Pradesh	..	— 44	+ 95	— 37
Madhya Bharat	+ 16	— 45	+164	—177
P.E.P.S.U.	+143	+ 76	+ 16	— 34
Himachal Pradesh	..	+ 3	+ 7	+ 5
Saurashtra	—111	—191	+214	— 65
Coorg	..	+ 9	+ 5	— 16
Ajmer	..	+ 3	+ 15	— 11

* Revised Estimates.

in Nagpur would give a great advantage. The only two Part B States which have provided the nucleus for expansion into larger States—Mysore and Travancore-Cochin—have been traditionally well-administered and have been different from Hyderabad which now seems destined to disintegrate, though at one time it was expected to provide a model of a composite State. The moral is that while doubts increase when reorganisation involves splitting up of existing units, there need not be much to worry in the process of amalgamation, especially with basic units which are strong and reasonably well-developed.

TABLE SHOWING THE EFFECT OF THE STATES REORGANISATION REPORT

I. Areas Substantially Intact.

	Area (Sq. miles)	Population (Millions)	Remarks on Changes
1. Assam	89,040	9.7	+Tripura (C State) will be merged.
2. W. Bengal	34,590	26.5	+Purulia sub-district of Manbhum district and portion of Purnea district east of Mahananda (both from Bihar: area: 3,812 sq. miles, population 1.7 millions)
3. Bihar	66,520	39.0	Unchanged except as above.
4. U.P.	113,410	63.2	Unchanged.
5. Orissa	60,140	14.6	Unchanged.
6. Andhra	64,950	20.9	+3 taluks of Bellary district (from Mysore).
7. Jammu and Kashmir	92,780	4.4	Unchanged.
8. Rajasthan	132,300	16.0	+Ajmer (C State), Sironj sub-division, Sunel town, Abu Road taluk, Loharu, sub-tehsil.

II. States With Moderate Changes

9. Madras	50,170	30.0	Loses S. Kanara and Malabar districts and gains 5 taluks from Travancore-Cochin.
10. Kerala	14,980	13.6	Travancore-Cochin + part of S. Kanara, the whole of Malabar minus 5 Tamil taluks.

III. Substantially Changed States

11. Karnataka	72,730	19.0	Mysore State+4 districts of Bombay (Belgaum, Bijapur, Dharwar and North Kanara), 2 districts (Raichur and Gulbarga) from Hyderabad, S. Kanara district (except Kasaragod taluk) and Kollegal taluk from Madras and Coorg (C State).
12. Hyderabad	45,300	11.3	Will lose 7.4 million people by transferring 2 districts to Karnataka, 5 districts to Bombay.
13. Bombay	151,360	40.2	+5 Maratha districts of Hyderabad, Saurashtra (B State), Kutch (C State) but minus Abu Road taluk and 4 Karnataka districts.
14. Vidarbha	36,880	7.6	Newly created, comprising 8 Marathi speaking districts of Madhya Pradesh.
15. Madhya Pradesh	171,200	26.1	—14 districts of residuary Madhya Pradesh+Bhopal and Vindhya Pradesh (both C States), Madhya Bharat (B State) and Siroj sub-division.
16. Punjab	58,140	17.2	+PEPSU (B State) and Himachal Pradesh (C State).

IV. Territories (Centrally Administered)

1. Delhi	578	1.74)	
2. Manipur	8,623	0.57)	C States.
3. Andamans and Nicobars	3,215	0.03	Specially administered area.

POPULATION OF NEPAL

By
DR. Y. P. PANT, Ph. D.

IN almost every developed country it is acclaimed that the population census proves to be the basis for economic, social and even political planning. However in Nepal in the past, even if there existed certain offices for the periodical census, very little or practically nothing was done about a satisfactory census. The first attempt is said to have been made by Sri Jung Bahadur, first Rana Premier. One source indicates that in 1910 the first census was taken. Approximately, the census of 1920 puts the population at around 5½ million, but figures about precise changes in the following years are not available. In 1941, surprisingly enough, the first census department was created, still the department of Statistics came to be established only in 1950. The insurrection movement in 1950 against the Rana Rule led the entire work to be suspended temporarily. However immediately after the interim set up from the standpoint of the administrative co-ordination it was decided to take the census first in the eastern part and later on in the western part. Accordingly the census of East Nepal was conducted in 1952 and West Nepal in 1954. Though the census report contains

certain aspects like population zones, improvements over the previous estimates, more scientific method of enumeration and compilation, it does not provide any statistics for occupational distribution, like livelihood categories, rural and urban sectors, religion, age structure, mortality, mobility, literacy and so on. The Second Census Report (to be released after two years), will throw a flood of light on all these aspects.

Though the previous census-estimates have enumerated the population at around 5 to 7 million, the census of 1954 estimates it at 84,31,537 and thus it becomes clear that the growth of population during the past few decades has been rapid as compared to previous decades. The general impression that one can gather is that East Nepal with 17,041 square miles of land area possess 37,64,757 persons, while West Nepal with 37,304 square miles of land area has 46,66,780 persons. On the basis of the Census Report we do not find out any tendency about urbanisation excepting the Kathmandu Valley whose population has increased from 3,23,336 in 1941 to 4,14,705 in 1954, that is in 13 years net annual addition being about 7,000, and nothing is known about other industrial towns like Biratnagar and Birganj. The Census Report is also silent about birth and mortality rates.

Generally it has been so far assumed that over 90 per cent of the population derive their living from farming, and in this respect in the absence of the classification of the population according to the means of livelihood, one cannot venture to say precisely the percentage of persons engaged in trade, commerce, other social services and professions. It is equally difficult to describe what percentage is necessary for present production, for except for certain irrigated and intensively cultivated valleys, most of the land can produce one crop a year.

The following table reveals the basic trends of the population-growth in different years.

Table showing Population-Growth Zone-Wise

Year	1920	1941	1952	1954
East Nepal				
Mountains	12,09,086	12,70,659	17,63,184	..
Mid-Tarai	84,913	39,483	1,29,640	..
East Tarai	14,75,112	15,18,028	18,08,933	..
Total of East Nepal	27,33,111	28,28,170	37,64,757	..
Percentage Increase (+) or Decrease(—) of East Nepal	..	+3.49%	+33.1%	..
West Nepal				
Mountains	18,90,198	25,49,342	..	34,48,870
Mid-Tarai	86,592	75,898	..	2,05,097
East Tarai	8,27,884	8,30,305	..	10,12,813
Total of West Nepal	28,04,674	28,28,170	..	46,66,780
Percentage Increase (+) or Decrease(—) of West Nepal	..	+ .83%	..	+39.4%
Total Population	55,37,785	62,83,715	..	84,31,537
Percentage Increase (+) or Decrease(—) of Nepal	..	+12.9%	..	+34.2%

The above figures show that the population of Nepalese is of a high-growth potential type especially after 1941. The rapidity of growth from 1941 to 1954 has been quite remarkable, in comparison to the growth from 1920 to 1941, though in all, the growth cannot be called abnormal. For example, in India during the decennium ending 1951 population increased by 42 million showing a mean decennial growth of 12.5 per cent and rise of 13.3 per cent compared with 1941 figures, while in Nepal during the past 13 years ending 1954 the population increased by 2 million and showing the growth of 34.2 per cent. Still the growth as compared to previous decades (12.9 per cent) appears to be quite rapid. It may be due to, probably, three factors. Firstly, after the thirties even under the Rana Rule, a liberal policy has been noticeable with regard to the entry and settling down of the foreigners. Secondly, the deforestation policy of the Government in the Tarai regions led to the settlement of even the Indians from the adjoining Indian States of Bengal, Bihar and Uttar Pradesh. Thirdly, the return of the Nepalese soldiers after the termination of the Second World War might have added the number of human beings.

Moreover, it is remarkable that during the past 34 years population has responded to the presence or otherwise of famines, epidemics and earthquakes and in all these, most probably the controlling factor might have been fluctuating mortality and not the increasing fertility.

The Census Report simply gives us the density figures of the censused year and therefore it cannot be precisely ascertained whether the density during the past descades has risen or fallen. One thing is notable that the average density in Nepal of 155.14, is lower than any of the European countries, India and Japan, but higher than the United States, Australia and some other countries. But mere density comparison does not reveal any direct correlation with the economic position of the respective countries. The density of population is decided by differences in topography, soil and rainfall. However, density figures in different regions in the country show certain tendencies. The hilly regions in general are sparcely populated because of topographical conditions. According to experts, agriculture under the best conditions cannot maintain more than 250 persons per square mile at a reasonable level of comfort. From this standpoint Nepal's average density is below this level. Still much is to be done in the agricultural development.

The distribution of population according to the sex also discloses certain facts of interest. The number of males over females exceeds. In India the Census of 1951 shows that in the aggregate there are 947 females per 1,000 males, while in Nepal the aggregate can be estimated at 994 per 1,000 males. It is seen that in the European countries the disparity between males and females is correlated by the higher rate of infant mortality in the case of males than in the case of females, but here the general conditions are distinctly unfavourable to the life of the females, which is connected with social practices like early marriages, polygamy, social restrictions and so on.

As evidenced from the above analysis the problem of population in Nepal does not appear to have assumed that type of seriousness which other thickly populated countries in Asia have experienced in recent times. Be it noted that in any country the extent of food shortage or otherwise is generally expressed in terms of the quantitative and qualitative dietic deficiencies, deficit areas and the proportion of underfed population. At present, we do not possess reliable statistical facts pertaining to all these aspects, but as the general conditions demonstrate, certain parts of the country for example, Kathmandu Valley itself, have come to be deficit areas but its precise measure and exact magnitude are subject to wide margins of errors, since neither the total supply nor the total requirements are known accurately.

Though we have no statistics to prove that the country is self-sufficient in matters of food-supply, actual conditions prevailing particularly in the Tarai regions show that taken the country as a whole there is at least an over-all self-sufficiency of food resources.

Be it noted Nepal's Tarai belt exports substantial quantities of food grains to the adjoining Indian borders. In brief, the regional deficiencies especially in the hilly regions are more due to inefficiency and mismanagement of the governmental food policy and the defective transport system. The latter is a great hindrance to the inter-regional transportation of food resources. To meet the anomaly of food surplus in the one part and extreme deficit in another part, in its food policy the Government should not only choose and determine with care the various targets of production, but even more attention should paid to the distributive aspect of the problem, which unfortunately has not received any concerted attention by the Government so far.

It is obvious that the demographic problem in Nepal is not one of merely of increasing population and vanishing resources, but it is more a problem of under-production and mal-distribution. Under the Ranacracy, practically nothing was done to develop on a co-ordinated basis the country's latent resources. That is why, even without the serious pressure of population on the soil the standard of living of the Nepalese has come to be so deplorably low. More than 90 per cent of the population is still dependent upon agriculture and side by side the yield of the land per acres in the country may be one of the lowest in the world. Therefore the real solution of the problem of our poverty lies in economic development. Such development in relation to population and resources should include: increased agricultural production, population restriction in a mild way, decentralised industrialisation and rural-hydro-electric economy, improvements and co-ordination of transportation and adjustment of the balance of trade. It is quite definite that with the growing economic development, Nepal will be in a position to support reasonably the growing population in the coming future.

The land-locked position of the country is a factor of considerable importance. Nepal is entirely land-locked and the nearest Indian port is situated at a distance of 500 miles. Since no direct access to the sea is available, the land transportation enhances the costs of transport of both products, which are exported or imported. Take the case of Switzerland, which is similar to Nepal not only in this respect, but also in respects of zeological and topographical structures. She suffers from a double disadvantage owing to the absence of raw materials within its borders and the necessity to transport its finished products over a great distance. Thus cost of production has to be reckoned with in Switzerland both on the importation of the raw products and the exportation of the finished products. In reality, this situation has made it quite necessary for Switzerland to bend every effort towards the manufacture of specialities and high grade articles. Nepal's industrial salvation, or to be more correct, its entire economic regeneration also has to be engineered on similar lines. It is worth noting that even today certain crafts like wood-carving, woollen textiles, artistic shoes and so on do exist, no doubt they are not properly helped by the Government. Moreover, it is also definite that the development of light industries (specially in the hills) and the exportation of artistic goods and handicrafts will increase the wealth of the country. This could be satisfactorily achieved by a thorough exploitation of the hydro-electric resources and the skill of the people. At the same time, a well conceived scheme of technical education will also go a long way in creating a bias for a wide range of light industries.

Economic Report from the U. S.

RED ANALYSIS OF U.S. PROSPERITY

(By Guy Sims Fitch)

WASHINGTOWN, Oct. 11.—An analysis contained in an article that appeared recently in the Soviet Journal "Economic Questions", written by A. Bechin, supposedly a foremost economist in the Soviet Union is remarkable not so much for the "Line" it takes, but the usual prediction of U.S. economic doom.

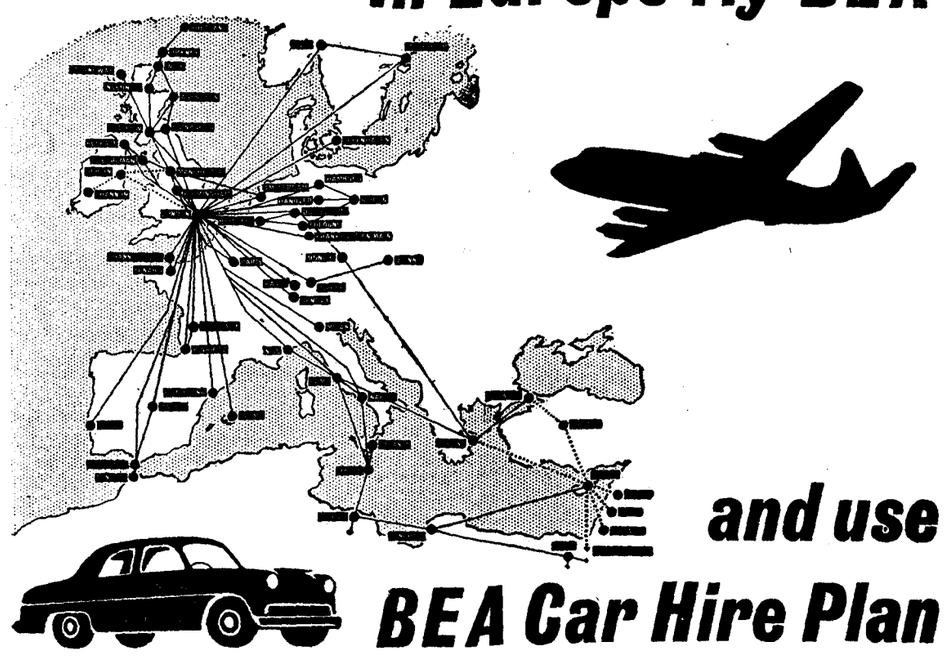
Since data about the U.S. are published openly and distributed widely, one may wonder why a Soviet economist still feels it necessary to present inaccurate versions of the American economic situation. But in case he has overlooked some of the more pertinent facts, it may be in order to review a few of them in the light of the more unrealistic claims he has advanced. Claim: American prosperity has been supported by military spending, and cannot survive in time of peace. Fact: Since 1953, when the Korean war ended, Government military spending has dropped more than $11,000 million. Over the same period, the gross national product—the total output of goods and services—has increased to a record annual rate of $390,000 million, supported by a $37,000 million rise in private activity by business men and consumers. Government spending for national defence accounts for only 10 per cent of the nation's total output. Claim: The American worker is being impoverished, and cannot support the production of American industry. Fact: Personal income of all Americans is at an all-time high of $310,000 million a year, 7 per cent above the 1953 level. Employment has increased some 3 million over the past two years, and now totals about 65 million. Consumer prices have been stable, taxes have been reduced and consumption has risen to record levels, resulting in a significant increase in American living standards. The principal problem faced by American industry is one of meeting the demand for goods.

A study published just a few days ago, moreover, shows that the post-war period has seen a notable equalization in wages paid by American industry, with the greatest gains made by the lowest-paid. Claim: U.S. trade with the rest of the world is on the decline, as improved economies in other countries are creating competition for American products in world markets. Fact: This claim is valid to the extent that other free nations by and large, are also experiencing the most prosperous periods in their history. But far from cutting into American trade, this general prosperity is creating new and larger markets.

In the first eight months of 1955, U.S. commercial exports were valued at $9,260 million, about 11 per cent above those for the comparable period of 1954. U.S. merchandise imports were valued at $7,370 million, about 8 per cent higher than in the comparable 1954 period. Claim: A serious contraction of production can be expected in the U.S. within the next few months. Fact: This prediction can be expected to prove as wrong as all the others advanced by Soviet experts since the end of World War II. Economists who have been studying this matter closely point out that American business men are putting more than $29,000 million a year into new productive facilities. This, coupled with the rise in consumer purchasing power, indicates that the production pace will continue well into 1956, at least.



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The Business World

KARVE VERSUS KANUNGO

By
CROESUS

ONCE again, the respective contributions to the total cloth requirements (both consumption and exports) of the country by the organised cotton mill industry and the powerloom and the handloom industries, more especially the latter, have become a question of topical interest, thanks to the Karve Committee Report. According to the advance summary of the Committee's recommendations that are believed to have been submitted to the Planning Commission early this month, the Committee has recommended a Rs. 260-crore development programme for small-scale industries under the second Five-Year Plan. Of this amount, a sum of as much as Rs. 80 crores has been allotted for the development of the handloom industry. Like the Kanungo Committee, the Karve Committee also does not put the additional annual requirements of cotton textiles at the end of the next Five-Year Plan, anywhere near the figure indicated by the millowners, namely, 3,400 million yds. The Kanungo Committee estimates that the additional annual requirements would be between 1,400 and 1,700 million yds. Like the Kanungo Committee, again, the Karve Committee also urges that all this additional quantity should be reserved for production by handlooms. But there is one difference between the Kanungo Committee and the Karve Committee, in that the latter is against the Kanungo Committee's suggestion for conversion of handlooms into powerlooms. It only recommends the use of the modern types of handlooms with fly-shuttle. It is not clear from the reported version of the summary whether the Karve Committee wants even the existing powerlooms to be replaced by handlooms; otherwise, it is difficult to appreciate the reference to the Committee's belief that the development programme proposed by it, namely, manufacture of between 1,400 and 1,700 million yds. of cloth would give work for 300 days in the year for 2 million handlooms giving full employment for 2.5 million weavers. By the way, the Kanungo Committee estimates the total number of handlooms at only 1.2 million handlooms.

In some respects, the Karve Committee goes further than even the Kanungo Committee, in that it not only wants to freeze mill production at 5,000 million yds. but is also opposed to the licensing of new spindleage until May, 1956, by which time the experiments, now being conducted with the Ambar Charka in 100 areas, are expected to be completed and the results of performance of these Charkas correctly assessed. It is, however, reassuring to find that atleast two members of the Committee, including the Textile Commissioner, have opposed the recommendations with regard to the freezing of mill production at 5,000 million yds. and the absence of any recommendations for the expansion of the output of powerlooms. Broadly, the two dissenting members of the Karve Committee seem to share the view of the millowners in regard to the potential expansion of demand for textiles by the end of the next Five-Year Plan and also the latter's fears about the handloom sector being able to produce as much as 1,700 million yds. extra. In their opinion, the maximum that the handloom sector could contribute would not be more than 1,000 million yds. Hence their logical and sensible suggestion that not only should the powerlooms be allowed to expand their production by 200 million yds. but that the mill industry also should be allowed to contribute a further 500 million yds., in addition, of course, to the contribution that the handlooms are expected to make.

It is in the context of these conflicting suggestions by members of the Karve Committee, that the plea has been reiterated by the Millowners Association, Bombay, in a pamphlet entitled "The Indian Cotton Mill Industry: Its Place in the Nation's Economy" that the mills should be given an opportunity to contribute the rest of the additional production, after allowing the handlooms to produce 2,000 million yds. and the powerlooms, 200 million yds., on the basis of their estimated demand for cloth on a per capita basis of 22 yds. at the end of the next Five-Year Plan. As. Mr. G. D. Somani, Chairman of the Association, has pointed out in his foreword to the publication, there is no inherent conflict between the handlooms and the mills and, if the country is to be prepared to cope with the additional demand for cloth in the coming years as a result of the implementation of the bold second Five-Year Plan, "prudence requires that the task of meeting it should be given to the mill and the handloom sector directly on the basis of their present performance and their capacity to expand within the stipulated period. It is in the larger interest of the nation that there should be a careful appraisal of their capacities that production targets are assigned to them". It cannot be said surely that the Karve Committee's recommendations follow such "a careful appraisal" of the respective capacity of the mill and the handloom sectors in assigning production targets to them.

That the Karve Committee itself is in some doubt—if one may not say that it is not so fully convinced—about the capacity of the Ambar Charka to produce the required quantity of yarn, even while it is strongly opposed to the licensing of new spindleage, is clear from its apparently after-thought-remark that, "if it is then found that the Ambar Charka will not fully serve the purpose, new spinning units may be permitted to be installed in the public or co-operative sector for supplying yarn to handlooms". In this connection, I would like to quote what Mr. M. P. Gandhi, who is not, after all, opposed to small-scale industries, has said about the Ambar Charka in his latest publication; "Some Impressions of Japan", wherein he actually makes the plea for the adoptation of Japan's small-scale industries to our economy. Says Mr. Gandhi: "We should take care, however, to see and ensure that any changes in the industrial set-up and pattern that we propose to adopt in our economy for the future with a view to achieving objectives for attainment of the "Socialistic Pattern of Society" and a Welfare State, should be feasible, practicable, and not be too optimistic and visionary, e.g. by the acceptance of the suggestion put forward, in July 1955, in the "Khadi-Gramodyog", the monthly organ of the All-India Khadi and Village Industries Board, that the Ambar Charka (whose final pattern is not yet evolved, and which is not promised till April, 1956), will be manufactured swiftly in such large numbers, estimated provisionally at 18 lakhs at an approximate cost of Rs. 18 crores, and be available for giving employment to 36 lakhs of people at the rate of one rupee per day for 8 hours (it is presumed that they will be in full commission all over the country) in hand-spinning, and be capable of producing handspun yarn to the extent of 400 million lbs. per year and that the handspinning sector will be in a position to supply such handspun yarn to handlooms to produce, say, 1,400 million yds. (out of its target of 3,000 million yds. by the end of the second Five-Year Plan in 1960-61) of khadi cloth per year of a quality acceptable to the consumers in the country, over a period of five years, on the further assumption that the handlooms (now accustomed to weaving from millyarn) will be able to so adjust at once their technique of production that

they will be in a position to substitute such irregular and uneven handspun yarn prepared by untrained and novice spinners, for mill-spun yarn of a certain accepted quality either considerably or entirely for producing cloth, at a reasonable price. This suggestion appears to be too optimistic, or utopian for yielding the expected results over a period of five years, as, before it is implemented, thousands of blacksmiths, carpenters, etc. will have to be trained, a country-wide organisation evolved, etc., et., it should be examined in all its aspects with great care and caution by experts and administrators".

This is no doubt a severe criticism of the potentialities of the Ambar Charka, but it is at once practical and realistic. If there is no proper scrutiny at this juncture, as both Mr. Somani and Mr. Gandhi have urged, there is a real danger of shortage of supply of yarn to the handlooms themselves which would give a setback to the further development of the handloom industry and, therefore, to the greatly expanded employment opportunities expected of it. It is rather unfortunate that, even in informed quarters, there should be a facile presumption that, without any notice, the mill industry and, in its own humble way, the power-loom industry can step into the breach created by the failure of the handloom industry to deliver the goods as per the hopes of some of the enthusiastic supporters in this country of the handlooms. It is not wrong to seek to support the handloom industry, but one must not forget one's own moorings in the attempt. Any scheme for the improvement of the handloom industry, and more particularly of the conditions of the man behind the looms—the handloom weaver—must first take note of the handicaps and the hurdles in the way of fully implementing the ambitious programme such as that envisaged by the Kanungo Committee and, more especially, the Karve Committee, and then be frank enough to accept the limitations that are inherent in the existing situation and come forward with a correct estimate of the contribution that the handloom industry can make to the textile requirements of the country.

TESTING TELCO'S PROGRESS

By

CROESUS

I HAVE been closely following the progress of both the Tata Locomotive and Engineering Co., Ltd. (TELCO) and the Chittaranjan Locomotive Works with a view to arriving at certain definite conclusions on the subject of parallel ownership of industries and, with each year that passes, I am becoming more and more convinced that parallel ownership of industries is bound to result in relatively unfair treatment of the units in the private sector vis-a-vis those in the public sector. Official spokesmen glibly talk in terms of a national sector and advise the public to ignore the so-called distinction between the public and the private sectors, but only so long as they do not actually come to grips with the problem. When they do so, it is seen, they are not equally willing to treat the private sector as the national sector. In other words, when the occasion for the supreme test arises, officials possibly feel helpless and cannot perhaps resist being partial to the units under their control or the public sector units. This is the experience, time and again. Possibly, when instances of glaring partiality as between units in the two sectors are repeatedly brought to the attention of the public, the authorities may cease to show a marked bias towards units in the public sector. If only for this reason, I would welcome the observation made by Mr. J. R. D. Tata, the TELCO Chairman, at the last annual general meeting of the Company that, "if a mixed economy is to function satisfactorily—and to create conditions and atmosphere necessary for maximum effect in both sectors, it is clearly necessary that, whenever units in the same field of industry operate in both sectors, they should be treated equally and should be allowed to operate under similar conditions". It is all the more important, as he added, that "this should be the case when the consumer of the unit in the private sector happens, as in this case, to be the owner and operator of the unit in the State sector." It is somewhat comforting to know from Mr. Tata that the Railway Board appreciates the validity of this argument, although it has not found it possible yet to give a practical expression of its having done so. Probably the Railway Board feels that its hands are tied because of the observations of the Public Accounts Committee, which, I somehow feel, seems to take a special delight in raising some controversy or other every year. Last year, it made the undoubtedly unwarranted suggestion that the State should take over those industries that cater primarily to the needs of the Government. Obviously, the Committee could not reiterate the suggestion this year, because it can no longer be contended that the TELCO caters only to State requirements, although it still does so to a very considerable extent. So possibly it has found fault this time with the manufacturing costs of TELCO. The TELCO management is frank enough to admit that the Company's present level of costs of production is "unduly high at the present stages of development and in the circumstances in which the Company has to operate". And the Chairman explained at length the factors affecting the Company's cost of production, especially of locomotives. So no one, let alone the TELCO management, can be expected to swallow the rather tall claim of the Railway Board, perhaps at the instance of the Public Accounts Committee, that the TELCO costs compare unfavourably with those at the Chittaranjan Locomotive Works, although, prima facie, this may appear to be so. For, when comparing any two things, fair play demands that the two things or two sets of circumstances to be compared operate under absolutely the same circumstances; otherwise, the comparison will not only be vitiated but also there is the risk of one of the two suffering from the comparative study. This, I suspect, is precisely what would appear to have happened with the Railway Board when it set out to compare the costs of TELCO with those of Chittaranjan. I would only like to ask—not that this is necessary after the complete answers provided by Mr. Tata to the criticism of the Public Accounts Committee in the course of his speech at the annual general meeting —whether the Railway Board extended to TELCO all the facilities that it provided Chittaranjan. From the TELCO Chairman's speech, at any rate, it is obvious that this was far from the case; on the contrary, by resorting to a process of the most rigorous form of inspection which it did not choose to apply in the case of its own unit at Chittaranjan, the Railway Board was responsible for undue rejections and avoidable delays in the case of TELCO. In view of all these, I sometimes begin to wonder whether, for the successful functioning of a mixed economy, it should not be made a prerequisite that the State shall not enter a field of activity in which the private sector has already been operating, and vice versa.

Be that as it may, what can one say of the Public Accounts Committee's attempt to condemn a party exparte. It is inconceivable how, without giving an opportunity to TELCO to place the correct facts before it and offer explanations, the Public Accounts Committee could proceed to insinuate TELCO, as it has done. The impression that has been created in the minds of the public, from the Committee's report, unfortunately, is that TELCO has almost duped the Government! It is just as well, therefore, that Mr. Tata not only answered the allegations of the Public Accounts Committee's criticism about initial and other additional normal depreciation allowances included by the Company in the costs of production to arrive at the price charged to the Railway Board, but also made an unexceptionable suggestion so as to avoid all repetition of similar unwarranted remarks in the future and create a sort of a precedent, as it were. He said: "I would respectfully suggest that, when the occasion arises for the Committee to consider matters concerning companies with whom Government departments have agreements, an opportunity be given to such companies to tender evidence before the Committee provided parliamentary rules permit it." It is thus clear that, while criticising the Public Accounts Committee, the TELCO Chairman was not out to flout any parliamentary rules. At the same time, he took the opportunity to express the Company's gratefulness to the Financial Commissioner of Railways, who answered the said Committee's queries on matters concerning TELCO.

After listening to Mr. Tata's address to the shareholders, I am sure, one could not help feeling that, where the same Company has two sections, one in which its progress is conditioned by the whims and fancies of the powers-that-be and another in which it could go ahead on its own, the progress in respect of the latter is bound to be, any day, more encouraging. For my part at least, I would attribute the highly encouraging progress in the Company's automobile division, which has made it revise its original programme even before it could be initiated, to this important factor. Thus, whereas TELCO had planned progressively to manufacture 3,000 diesel trucks a year, it has now decided to double this almost from the start. (It is stated in the Directors' Report,—to which attention was drawn on page 460 of "The Eastern Economist", dated September 9, 1955—that during the year ended March 31, 1955, the Company assembled from imported parts a total of 443 units, against a target of 500 units. This target, as I then commented, would probably have been reached, if not exceeded, had it not been for delays in respect of materials as a result of the congestion at the Calcutta Port).

Notwithstanding the occasional pinpricks and the unforeseen obstacles as above, it is gratifying to note, the Chairman held out a bright future, assuming, I dare say, the co-operation of the powers-that-be and also of labour. Eventually, he anticipated, "the annual output for sale will be 100 complete locomotives, 6,000 bus and diesel chassis and over 3,000 tons of heavy and complicated steel castings for the Chittaranjan Locomotive Works and other industries. This will represent an annual turnover of about Rs. 17 crores". Mr. Tata could not, of course, be equally specific as to the effect of these developments on the earning capacity of the Company or as to when the Company would start giving a dividend. He, however, expressed the hope that it would be possible for the Company to wipe off the arrears on preference shares and possibly to pay an initial dividend on equity capital next year. The TELCO Chief also made a reference to the additional capital expenditure of about Rs. 4 crores that the decision to expand the Company's automobile division would entail. In this connection, answering shareholders, Mr Tata disclosed that, by about March, 1956, the Company would issue debentures to the extent of Rs. 1½ crores. He explained that, although the management would have liked to issue these debentures straight-away, it had to decide on postponing it so as to enable the debentures, when floated, to be ranked as "approved investment" under the insurance law. It may be noted here that, inasmuch as the first payment of interest on the Company's existing debentures was made only in April, 1951, the time limit of five years during which period debenture interest must have been paid under the law to enable a second issue to be considered as "approved investment" will not expire until March next.

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BOOK REVIEWS

PROFIT-SHARING

Profit-Sharing in Practice and Law: John C. Harper, LL.B. Lond.: Sweet & Maxwell Limited, London: 1955: 38s. 6d.: Obtainable in India from Messrs. N. M. Tripathi Ltd., Princess Street, Bombay 2: Rs. 31 as. 5.

The idea of profit-sharing is an old one, the first scheme having probably been introduced by the National Fire Insurance Company of Paris in 1820. There is a record of a similar scheme in the United Kingdom in 1829. An International Congress on Profit-Sharing was held in Paris in 1889 and generally by the last quarter of the last century the idea gained currency. By 1938 there were 404 profit-sharing schemes in the United Kingdom. The idea has had less appeal for Americans but in the last twenty years there has been considerable interest in it in the U.S.A.

Contrary to popular belief the apathy towards profit-sharing cannot be laid at the door of employers wholly. Employees are just as apathetic and the powerful Trade Union movement today does not, in general, view profit-sharing with favour. The reason being that it desires workpeople to be united as a whole and if any group of workpeople becomes associated too closely with a management that would tend to weaken the Trade Unions. Nevertheless, the author contends, "union co-operation in the planning and introduction of a profit-sharing scheme can sometimes be obtained, and as a general rule it should be sought."

Other reasons for the apathy of the workpeople are: (a) the infrequent intervals at which the benefits are paid, usually annually, (b) the preference of workpeople for the benefits to take the form of an increase in wages, and their tendency gradually to take the benefits for granted; (c) the exclusion of workpeople from the administration of the scheme; and (d) a lack of understanding of the scheme on the part of management and workpeople. The author offers a number of suggestions to counterbalance such apathy.

The three main classes of profit-sharing schemes are:

1. Profit schemes, under which a percentage of profit is shared among the participants; such schemes present profit-sharing in its purest form;
2. Distribution schemes, under which participants receive a bonus calculated with reference to the distribution made to the proprietors; and
3. Capital schemes, which involve the holding of part or all share or loan capital of a business by or for all the benefit of employees.

The last-named is indicated if the object is to associate employees with the ownership of the business. It is emphasised that the benefits of a profit-sharing scheme are by definition not part of but in addition to wages.

After examining all these aspects both from the practical and legal aspects the author concludes that "an efficient management will be as concerned to anticipate trends in the outlook of employees as fluctuations in the market; only by doing so can a business keep its labour policy abreast of the times." Recent social and educational changes have brought about a changed attitude on the part of employees and profit-sharing is an equitable method of meeting to some extent the desire of employees for a fuller part in management. Whether there is profit-sharing or not most employers today have initiated various welfare programmes and schemes. Some of these, as they exist in India, are designed solely to conform to Factory Laws; while the majority are the outcome of the employers' sincere desire to share benefits.

In view of the tendency for nationalisation the author points out that profit-sharing is not incompatible with State capitalism. In passing, he mentions that there is no novelty about State capitalism and gives the instance of Mr. Gladstone who as President of the Board of Trade in 1844 contemplated the nationalisation of the railways. Primarily, an examination of the system in the United Kingdom this book has valuable suggestions for Indian employers.

AUSCHWITZ

Lest We Forget: Edited, with an Introduction by Adolf Rudnicki. "Polonia" Foreign Languages Publishing House, Warsaw, 1955.

Wounds may heal but scars remain: the big, big scar left on occupied territories by Nazis during World War II will remain for a long, long time. Sir Hartley Shawcross addressing in 1946 the International Military Tribunal at Nuremberg on German atrocities said:

> "On the lowest computation twelve million men, women and children were done to death. Not in battle, not in passion, but in the cold, calculated, deliberate attempts to destroy nations and races, to disintegrate the traditions, the institutions and the very existence of free and ancient states. Twelve million murders! Murder conducted like some mass production industry."

It was indeed mass production industry. In the Auschwitz camp in Poland 4,500,000 men, women, and children were exterminated by gassing with Zyclon B, manufactured by I. G. Farben. This statement is from the book, 'Generals in Grey Suits' by Josiah E. Dubois, who was chief prosecutor at the trial of Nazi war criminals and who was greatly disappointed at the result of the trial. Lord Russel of Liverpool, who was legal adviser to the Commander-in-Chief during the trials of German war criminals in British military courts wrote "The Scourge of the Swastika" also giving in cold print the form that that scourge took. The curious thing about all these books is that they are not angry books. Which makes the guilt of the beasts in human shape who perpetrated these crimes stand out for all times.

Now comes this English translation of articles and poems and sketches written by Polish men, women and children, who were the victims of Nazi brutality. And, this is the least angry book of all. The editor, in his introduction says that when brought before the Supreme National Tribunal, the Auschwitz commandant, "the mass murderer; Rudolf Hoess, disputed only the number of people who were executed in gas chambers. He contended he had burnt not two and a half million people but one and a half; that 'Auschwitz had its limitations.'" The editor says that "Auschwitz was a foretaste of the later invention of the atom bomb."

The picture of Auschwitz that we get from these authentic sketches and descriptions is heartrending, all the more so because the narrators who had suffered so much can go over those scenes only through a process of understatement. It is left to the reader to imagine the full impact of Nazi brutality upon those innocent men, women, and children.

Auschwitz was the name given by the Germans to Oswiecim. Out of all the concentration camps—Belsen, Dachau, Natzweiler—Auschwitz was the grimmest, where, in the words of Sir Hartley Shawcross, murder was a mass industry. Hoess (as quoted in "Lest We Forget") has described his assistant as one "hardened to such an extent as to be able to go on killing with his mind blank. Indifferent, calm, his face inscrutable, he performed his dreadful task."

Today, Auschwitz (Oswiecim) is preserved as a museum by the Polish Government. Mr. Nehru visited it during his recent tour.

BUSINESS NOTES

ARE TYRE PRICES INFLATED?

THE TYRE companies have verily been put in the docks by the Tariff Commission. In its report on fair prices of tyres and tubes this body has squarely charged the tyre industry with having made excessive profits since 1946. The complaint that tyre manufacturers were making too much profit, it may be recalled, was voiced by rubber growers in the country even before the Korean boom. But the Commission's recommendations do not seem to stem so much from the growers' complaints thus as from the interests of the consumer and the socially desirable price pattern of a Welfare State, a concept that is steadily gaining in vogue. According to the Tariff Commission, the prices of tyres and tubes were in excess of the fair rates as determined by it by 21.79 per cent in 1946, 16.9 per cent in 1947, 15.26 per cent in 1948, 6.88 per cent in 1951, 11.24 per cent in 1952 and 5.52 per cent in 1953. It is stated that the ratio of gross profits to capital employed varied from 19 per cent to 37 per cent in the case of Dunlop between 1946 and 1953 and from 47 per cent to 77 per cent in the case of Firestone from 1946-47 to 1952-53. These ratios, it has been further pointed out, are high in comparison with what Indian industries have been earning in recent years. Dunlop (India) has generally earned a high rate of profit on capital employed than even its parent company, it is made out.

A second important finding of the Tariff Commission is that conditions of imperfect competition prevail in the tyre industry in this country. According to the Commission "the tyre industry provides a typical instance of an oligopoly which, so far as prices are concerned, functions virtually like a monopoly". Though there is no overt price-fixing agreements among the firms, it is stated, the industry as a whole does not tend to relate prices reasonably to costs. The tendency for prices to remain much above costs is attributed to the fact that the demand for tyres and tubes has a low degree of price elasticity. In all such industries, where the supramarginal section tries to get optimum profits rather by selling less at a higher price than more at a lower price, the Commission believes, there is a strong case for Government fixation of prices in consumers' interests.

In the light of the foregoing remarks, the Commission has come to the conclusion that a return of 10 per cent on employed capital is a fair profit, and has recommended a uniform reduction of 11 per cent in the consumer net dealer prices and list prices. It seems that the Commission has made up its mind to try both price control and competition as the ultimate remedy to bring down prices. Hence its ancillary recommendation to Government to explore the possibility of securing imports of tyres and tubes and starting a pilot manufacturing project with Indian capital by affording all possible encouragement. Probably, the Commission wants to invite competition, so that control on profits may not weaken the incentive to development. But the price freeze may, in certain circumstances, affect the quality of the product. Great care seems to be called for in determining the "freezing point," if deterioration in quality is not to set in.

TRADE WITH IRON CURTAIN COUNTRIES

SINCE INDIA has entered into bilateral trade agreements with a number of Communist countries, the question of putting these agreements to the best advantage of this country has assumed importance. The trade agreements with the Communist countries in actual operation stand on a different footing from trade agreements with democratic countries because of the complete control of foreign trade by the Governments of the former. This peculiar factor has created new problems and difficulties for the export and import traders in this country in negotiating their deals. It has, therefore, become urgent to decide on a policy of creating facilities for developing the trade of this country with Communist countries. In the consideration of this question, it is urged by the advocates of State trading that the Government of India should take over from the private trade channels all the functions of this category of external trade.

It can hardly be in dispute that it is inevitable that the Government should come in the picture in some manner in encouraging this trade. But it does not at all follow that State trading should replace normal private trading for this purpose. Mr. Murarji J. Vaidya has analysed with clarity the consequences of direct State trading in the course of his presidential address at the last quarterly meeting of the All-India Manufacturer's Organisation. If a small quantum of trade in respect of which the Government of India will be the major consumer or distributor is excluded, government participation in and handling of external trade will hamper rather than facilitate the export-import trade. The right types, varieties and qualities of commodities will not normally be procured under government direction and the whole slow-moving machinery of the Government will create maladjustments in so far as the time factor is concerned. Considerable sacrifices will have to be made on the score of competitive prices, not to speak of overhead costs of trade organisations. Market demand is unlikely to be intelligently understood under government dispensation and import of goods not in effective demand might create problems of glut, while artificial shortages of goods in high demand are likely to occur. It is a truism that Government lacks technical personnel, business experience and the capacity to take quick decisions not unaccompanied by an element of open risk. Mr. Vaidya has rightly argued that Government should desist from the temptation to take over this trade.

Nevertheless, in view of the manifold difficulties which private trade channels experience practically at every stage in the trade with Communist countries, Government would be acting in the national interest if it allows its Consular and Commercial Representatives abroad to be utilised as an effective agency to assist trade deals between these countries and exporters or importers in India. This suggestion fully accords with the present policy of the Government as explained by Mr. D. P. Karmarkar in the course of the discussion on the private resolution on State trading in the Lok Sabha in the last session. Mr. Karmarkar indicated that Government would establish trade organisations to assist private exporters and importers in this country in their trade with Communist countries. The next logical step would be to decide the form, organisation and functions of the proposed organisations in consultation with the trade interests concerned.

INDO-U.K. TRADE

FOR THE eighth month in uninterrupted succession, India has been enabled to strike a favourable balance of trade with the U.K., thanks to the latter's continued good offtake of Indian tea and, to a lesser extent, of cotton yarns and woven fabrics. The value of exports of tea from India to Great Britain increased from £35,580,000 for the first eight months in 1954, to £43,466,000 for the corresponding period in 1955. Cotton yarns and woven fabrics worth £5,195,000 were exported in January-August, 1955, as against only of £4,259,000 for the same period in 1954. The value of India's total exports to the U.K. for the period under review aggregated £105,567,000, while her offtake of British goods were worth only £82,740,000, thus giving her favourable balance of trade to the tune of £22,827,000, as against only £4,761,000 in the first eight months of 1954.

On the import front, there has been an increase in the value of Indian imports of machinery other than electric, chemicals and road vehicles and aircraft, but a decline in those of electric machinery, apparatus and appliances.

In the light of the economic policy statement made by Mr. Butler, the Chancellor of the Exchequer, at the Conservative Party conference at Bournemouth on October 6 when he indicated that there would be no direct import cuts by stating that "none of our imports could be reduced significantly without the imposition of rationing", it is permissible to hope that India's export trade with the U.K. will be fully maintained, if not, make further improvement.

U.S. GIFT COTTON SCHEME FINALISED

THE ISSUE of U.S. aid cotton imports into has been hanging fire for almost a year now. It was towards the end of December, 1954, it may be remembered, that the terms of the agreement were formally furnished to cotton importers by the Textile Commissioner in Bombay; they were, at the time, dubbed as America's "Christmas gift to India". Later, in the month of February this year, it was even hinted in market circles that the funds made available under Public Law 480 and Section 402 of the Mutual Security Act could not be used for purchase of "free" cotton from the U.S. shippers and, as such, there was no question of any import of gift cotton from America by India. Again, when the question of a possible import of Russian cotton into India came up, sometime towards the end of the same month (February, 1955), the American gift cotton issue was taken out of cold storage. Since then, conflicting reports had been afloat, off and on, as to the probable line of action that the Government of India might take in this regard.

All uncertainties have since been set at naught, following a meeting between the Textile Commissioner, some officials of the Finance Ministry and representatives of the cotton trade, held in Bombay on Tuesday (27th September). According to the details of the scheme finalised at this meeting, the Government of India will nominate about 15 to 17 agents with a view to entering into agreement for import of American aid cotton. The total quantity of the aid cotton to be imported thus is stated to be of the order of 84,000 bales. Out of this, 50,000 bales will have to be imported into India before the end of this year. The individual ceiling has been fixed at 5,000 bales per week, but not more than 15,000 bales will be allowed to be purchased in all in a week. While all cotton to be imported will be compulsorily arbitrated in Liverpool, all charges for storage, transport and other incidental expenses will be borne by the Government in case the cotton is not sold before arrival.

Although details of the scheme to import U.S. aid cotton have thus been finalised, the Government of India's formal sanction has yet to be obtained (at the time of writing). The Union Government was apparently never in two minds as to its objective in ultimately allowing the import of U.S. gift-cotton. Even as early as May 12th, when a blanket ban on import of cotton from non-dollar area was imposed, it was obvious that the Government was determined, in spite of protests from some sections of the trade who feared that the episode of the damaged cotton of 1953 might be repeated, to go ahead with the import of American aid cotton. Why then did the Government fail to come out with the announcement in question earlier than it has done? Did it require so long for the Government to work out the details of the scheme?

Be that as it may, marketwise, there has been no change whatsover following the announcement. The reason for the indifference of the trade is obvious. In the first place, shippers are not too keen to go in for dollar cotton, as there has been a decline in the import of foreign cotton generally, which indicates that the indigenous industry is becoming more and more independent of imports of foreign cotton. Secondly, inasmuch as the scheme entails an obligation on the part of shippers to absorb American cotton irrespective of their actual need (Government has prescribed a 2 : 1 proportion as between the intake of East African and that of American cotton), it cannot be expected to exert the same (bullish) effect on prices as genuine demand.

FAIR PRICES FOR TELCO LOCOMOTIVES

THE GOVERNMENT of India in a Press Note dated 10th October, 1955, states that it has requested the Tariff Commission to conduct an enquiry into and make recommendation on what should be the fair prices of locomotives and boilers manufactured by the Tata Locomotive and Engineering Co., Ltd. (TELCO) since February 1, 1954. The Commission will also recommend for what period the prices recommended should hold good and how the prices should be revised from time to time in future.

Under an agreement between the Railway Board and the Tata Sons Ltd., signed in August 1947, TELCO undertook the manufacture and sale of boilers and locomotives at Tatanagar. Under the agreement, the Railway Board undertook to buy the production of TELCO factory subject to certain terms and conditions, one of which was that when the factory would go into full production, the Board would buy at the rate of 50 locomotives and 50 boilers per year. It was also agreed that if the factory achieved a higher rate of production and offered a larger number of locomotives and boilers in a year, the Board will be prepared to purchase such surplus production in preference to imports from abroad. The manner in which prices payable by the Railway Board for boilers and locomotives supplied by TELCO from time to time should be determined was also provided in the agreement.

TELCO had quoted certain firm prices for the supply of locomotives and boilers during the period from February 1, 1954 to March 31, 1955 and from April 1, 1955 to March 31, 1956. These prices are considerably higher than those quoted by foreign firms. The Railway Board considers these prices to be excessive. In their view this may be due to a variety of factors like (a) defects in the calculation of cost of production and profit admissible; (b) inclusion of special charges which could be justified only during the period of development and not when the factory has more or less attained the stage of stable production; and (c) higher capital costs on account of additional capacity lying idle.

TELCO plead inability to quote lower prices which are based on their actual cost of production. They contend that the Railway Board's insistence on 75 per cent of the components being produced indigenously, the procedure and set up of the Board's inspection at their works as also the uneconomic size of boiler orders placed on them impede their production and, therefore, are partly responsible for the high cost of production.

Government considers it desirable that these arguments and counter arguments should be examined carefully before a decision is reached as regards the prices to be paid to the firm for its locomotives and boilers. They have, therefore, decided that the necessary enquiry should be conducted by the Tariff Commission under the Tariff Commission Act, 1951.

The Commission in conducting the enquiry will pay special attention to (a) the costing system in force in the TELCO, (b) the effect of subsidiary business like the manufacture of trucks, etc., on the progress and cost of manufacture of boilers and locomotives, (c) the apportionment of idle time of men and machines among the various accounts, and also to examine in particular the steps required (i) to achieve the maximum economy in production, and to attain enhanced productivity and efficiency, and (ii) to maximise the utilisation of indigenous material and capacity in the manufacturing processes, in the locomotive industry in India.

COMPANY AFFAIRS

JARDINE HENDERSON, LIMITED

The Directors' Report and Statement of Accounts of the Company for the year ended March 31, 1955, shows a balance of profit of .. .. Rs. 41,68,361

To which has to be added the amount of unclaimed dividends forfeited, less paid	„	3,333
And the balance brought forward from the previous year	„	5,26,226
Making a total of	Rs.	46,97,920
Out of this sum, there has been Provided for Taxation	Rs.	15,25,000
Written off Goodwill ..	„	5,00,000
Transferred to General Reserve Account	„	3,00,000
Transferred to Superannuation Fund Account ..	„	2,00,000 Rs. 25,25,000
Leaving a balance available for disposal of		Rs. 21,72,920
The Directors on August 26, 1954, declared an interim dividend in respect of the year ended March 31, 1955, on the Preference Shares at the rate of 2½ per cent which dividend was paid on October 8, 1954, absorbing Rs. 1,37,500.		
Less: Indian income-tax thereon Rs. 36,093	Rs.	1,01,407
And on February 28, 1955, declared as second interim dividend at the rate of 2½ per cent in respect of the above year which dividend was paid on April 6, 1954, absorbing Rs. 1,37,500		
Less: Indian Income-tax thereon Rs. 36,094	Rs.	1,01,406
The Directors now recommend the payment of a dividend on the Ordinary Shares of the Company at the rate of 7½ per cent without any deduction for Income-tax paid by the Company, absorbing	„	15,00,000 „ 17,02,813
Leaving a balance at the credit of Profit and Loss Account of		Rs. 4,70,107

To be carried forward to the next account.

An increased contribution to the Company's profits was yielded by its tea interests. Once again, the Jute Industry experienced a difficult year and despite increased working hours for the second half of the year, earnings, both from commissions and from dividends, were further reduced, while in the trading field severe competition entailing reductions in margins in the commodities handled by the Company rendered profitable operation difficult. Though the total profits earned show an increase over those of the preceding two years, they have been inflated by the extraordinary conditions prevailing in the Tea Industry during the year and it may be noted that both prices and profits in this industry have already reverted to more normal levels. The Company's main interests lie in the Managing Agency fields and it is inevitable that its income will be, to some extent, affected by the restrictions to be placed on Managing Agents, Secretaries, Treasurers, etc., by the Companies Bill when it eventually becomes law.

During the year, the Behubor Company, Limited, which was one of the Companies for which the Company had been appointed to act as Agents in Calcutta, became a subsidiary. All of the trading subsidiaries operated satisfactorily during the periods covered by their respective accounts. It may be pointed out, however, that the year's income includes as Dividends from Subsidiary Companies the sum of Rs. 3,39,000 from George Henderson and Co., Ltd., representing entirely accumulated profits of past years, which item is accordingly non-recurring.

THE CONCORD OF INDIA INSURANCE CO., LTD.

The Directors' Report of the Company for the year ended December 31, 1954, shows the following position.

Fire Revenue Account: Net Premiums, after deducting all reinsurances, amounted to Rs. 31,24,224, while Claims paid and outstanding amounted to Rs. 10,94,221, representing a Loss Ratio of 35.02 per cent. The Fire Insurance Fund now stands at Rs. 15,62,112. The Expenses of Management, together with Commission and United Kingdom, foreign and Dominion Taxes, amounted to Rs. 18,21,447, and a sum of Rs. 2,26,302 has been transferred to the Profit and Loss Account.

Accident Revenue Account: Net Premiums, after deducting all reinsurances, amounted to Rs. 11,36,621, and Claims paid and outstanding to Rs. 5,95,844, representing a Loss Ratio of 52.42 per cent. Expenses of Management, together with commission, amounted to Rs. 4,28,326. After transferring a sum of Rs. 32,239 to Profit and Loss Account, the Accident Fund stands at Rs. 5,68,310.

Marine Revenue Account: Including adjustments relating to previous years, Net Premiums, after deducting all reinsurances, amounted to Rs. 10,31,794, and Claims paid and outstanding to Rs. 8,00,291. Expenses of Management, together with commission, amounted to Rs. 2,16,574. After transferring a sum of Rs. 48,397 to Profit and Loss Account, the Marine Fund stands at Rs. 10,31,794.

Profit and Loss Account and Profit and Loss Appropriation Account: After making a provision of Rs. 1,70,000 for Taxation, the Profit and Loss Account shows a credit balance of Rs. 2,49,675 which is carried to the Appropriation Account.

Together with the sum of Rs. 1,23,589 being the net balance brought forward from 1953 after payment of Dividend and after debiting the Appropriation Account with an amount of Rs. 15,595, being the realized losses on sale of Investments, there remains a surplus of Rs. 3,57,669. From this, the Directors recommend payment of a Dividend of Rs. -14|- per Share for the year, without any deduction in respect of Taxation paid by the Company, which will absorb Rs. 2,36,250, leaving a balance of Rs. 1,21,419 to be carried forward.

BHURANGYA COAL COMPANY, LTD.

The Audited Accounts of the Company for the year ended March 31, 1955, show, after providing Rs. 75,155 for Depreciation, a debit balance of Rs. 1,62,284, which has been added to the balance brought forward from last year, viz., Rs. 7,84,356, making a total of Rs. 9,46,640, which the Directors recommend to be carried forward to next year.

Raisings during the year were 36,895 tons and Despatches 32,916 tons as compared with 37,969 tons and 35,266 tons, respectively, of last year.

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The Assam Oil Company, for many years the pioneer of oil search in India, discovered a fresh source of oil recently at Nahorkatiya in Upper Assam. Crores of rupees have been spent in the search and many more will have to be spent on the development of this discovery.

And all the time, remember, the search for more oil is going on—for further sources of this most elusive mineral are vital for India's industrial development. All the very latest scientific methods and technical equipment, including aeromagnetometers and even helicopters, are being employed. No effort in fact is being spared to reduce India's dependence on oil purchases from abroad.

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A Letter to the Editor

THE NEW FAITH: THE BUSINESS MAN'S DILEMMA

Sir,

Thou shall not be big; thou shall not be efficient; thou shall not reduce the price to the consumer. These are the three Commandments, it would seem, the private industrial sector in India is asked to observe. Is there an outstanding unit in a particular industry? Its expansion must be arrested. Does any particular industry happen to be doing well? Take away certain lines of its production and earmark them for the cottage industry. Is there a disparity between the factory produced article and its counterpart turned out by the cottage industry? Tax the former so that the latter can live. Does a newspaper show signs of enterprise? Clamp down the price-page schedule so that its less successful competitor may get a chance to continue its existence.

In its turn, this attitude tends to give rise to a perfectly Hobbesian state of nature where 'the hand of one is against all and all against one'. The cottage industry producer complains of the bread being taken out of his mouth by the small factory owner. The small factory owner wants the head of the big industrialist on a charger. The big industrialist is scandalised even at the suggestion that there should be some relation between his price and that of the landed cost of the imported counterpart of his product. Also, he is against the Government allowing the import of any article he happens to produce, irrespective of the adequacy or otherwise of the indigenous production to meet the demand within the country. "What we cannot produce, the Government shall not import" is his war cry.

Behind all this economic sadism lies a series of unconscious assumptions. First, large scale enterprises are anti-social in that they lead to concentration of economic power which hinders the development of a socialistic pattern of society. Per contra diversification of production among small units is in itself a virtue and guarantees a certain measure of social justice and economic development. Secondly, the "small man" will automatically come into his own, once his big brother has been eliminated. Thirdly, there is something inherently vicious about profits which accrue from greater efficiency and large scale economies. And lastly, there is more mysterious economic advantage to the entire community, if the State steps in to see that prices are maintained at a level sufficiently high for the least efficient producer to keep himself in production.

Now, let us examine these beliefs. Is it a sin to be big in the industrial sphere? No doubt, time was when industrial Leviathans were highly suspect; and that for excellent reasons. That was during the days of laissez-faire when an elephant, while dancing among the chickens, could afford to say, "everyone for himself and devil take the hind-most", and get away with it. We have certainly travelled far down the road since then. Particularly in India, the State control over private industries is comprehensive. Between the Industrial Development and Regulation Act and the mammoth Company legislation, now on the legislative anvil, not a spanner can drop on a factory floor in India without official knowledge and permission. Besides, there is the engine of taxation ever ready to give a socialistic bias to our economy. Even in the matter of achieving a Welfare State, a policy of allowing large enterprises to function successfully while skimming off an increasing share of their profits at the same time will be far more effective than one of putting the industrial units into a strait-jacket in the hope that smaller enterprises will flourish.

Again, bigness and smallness are relative concepts. Who can say how "big" is a big unit and how "small" is a small unit? The moment the biggest unit in an industry is eliminated for the benefit of its smaller rivals, the second biggest becomes the biggest and should, therefore, be liquidated or rendered innocuous. This law of the fish pond in the reverse is bound to denude the pond of all fish—big as well as small.

India does not get nearer the socialist goal simply because there are few or no Goliaths in the industrial field. There is no getting away from the fact that no productive enterprise, large or small, can ever hope to survive unless it offers an article of a quality and price that is acceptable to the consumer. Even the phenomenal influence of Mahatmaji could not popularise khadi for the reason that it was not to the liking of the average buyer. Such of those who wear khadi do so not because they are convinced of its economics but because it is a symbol of their political aspirations.

Those who advocate the development of village and hand industries at the expense of factory units in the hope of increasing the volume of rural employment will do well to ask themselves: "am I going to succeed where even Gandhiji did not?" It is easy to clamber up the political band-wagon with the slogan "vive la small man". What is far from easy is to translate the glittering ideal of more jobs into accomplishment. A policy of raising the consumer price of factory goods to the level of cottage industry products by taxing the former may succeed admirably in shrinking the market for machine-made goods and thereby increasing urban unemployment. That, however, is no consolation to the cottage industry units who would still have to find a buyer for their products. Faced with the choice of buying factory goods which he likes but which have been priced beyond his reach or going in for hand industry articles which he does not like, the consumer may well turn his back on the whole lot with the words, "a plague on both your houses, I would rather not buy at all". If that happens, who benefits? Not the producer and certainly not the consumer; and where is the increased employment to come from?

Finally, there is the imperfect sympathy for the 'marginal' producer. It is not often realised that the State's attempt to bolster up consumer prices in the name of protecting the least efficient unit works against the entire community. A progressive increase in efficiency and a consequent decrease in the consumer prices is the first law of all industrial growth. In no other way can industries maintain a continuous expansion which is so vital to economic development.

All this does not mean that the State should not extend a helping hand to cottage industry producer, to the small man and to the struggling marginal producer in industry. They have every right to look up to the Government for assistance and it is the duty of the State to respond to such appeals. What is contended here is that such assistance must be of a positive nature. For the rest, the producer has to earn his place in the country's economy the hard way.

A 'beggar-my-neighbour' policy, on the other hand, is certainly not going to solve the small man's problem. It will only make matters worse by imparting a few unnatural twists and turns to the structure of production in the country. No one denies that the odds are against the novice who tries to compete with a trained athlete in a running race. But then, the way to render this competition more equal and healthy is not to cripple the trained athlete, but to provide the novice with time, training facilities and, perhaps, an earlier start.

Yours faithfully,
"MIDDLE ROADER".

COMMODITY NEWS AND NOTES

U.S. COTTON DUMPING IN THE OFFING?

THE RECENT disposal of Mexican cotton, on a large scale, under conditions approximating to distress sales must cause serious concern to all the leading cotton-producing countries in the world. The disposal of Mexican cotton has already been taken as a cue by holders of other cottons who have started liquidating their stocks in the hope of getting out well before the American competition develops in right earnest. It is quite likely that this will be accompanied by sharp discounts for foreign growths, especially as the selling movement gathers momentum. Even otherwise, in most of the cotton markets, the spot prices for foreign growths have had no relation either to the American or the Liverpool futures markets. In view of the prospects of further price reductions, buyers are naturally prone to wait for even lower prices. This means that price concessions would have to be offered by distressed sellers in countries where there are no price support systems at work. A vicious circle would thus be created with the possibility of the emergence of an almost chaotic world cotton price situation.

It must be emphasised here that it is not so much the promised selling by the U.S. of shorter staple cotton after January 1, 1956, that has occasioned the large-scale selling tempo but the general belief that legislation might be enacted to increase the cotton available for export and to remove some of the price restrictions.

The extent of importance that American cotton interests attach to the proposed legislation (in respect of the mandatory 90 per cent of parity supports, the bills to sell surplus qualities to both foreign and domestic buyers at competitive prices and the bill making substitution of qualities under the export programme) is evident from the fact that farm legislation is already tipped to be the most hotly debated issue in the presidential election campaign next year.

EXPORT OF ENGINEERING GOODS

An Export Promotion Council for engineering goods has been set up to encourage the export of a large variety of engineering products which are now available for export from India. This Council is the fourth in the series of Export Promotion Councils being set up with the assistance of the Government of India as part of the export promotion drive. The other three are for cotton textiles, silk and rayon textiles and plastic goods.

The Engineering Export Promotion Council has its headquarters in Calcutta. A branch will be opened later in Bombay. Among the measures which the Council is expected to adopt are the undertaking of market studies in foreign markets, the sending out of trade missions and publicity for Indian goods. It may also appoint representatives in foreign markets to collect statistics and other information regarding engineering goods in other countries, lay down standards of quality and packing for export, investigate complaints received from foreign buyers and settle commercial disputes by arbitration.

SYNTHETIC RUBBER PLANT

Rubber growers in South India have been concerned at the statement made by Mr. H. V. R. Iengar, Secretary, Union Ministry of Commerce and Industry, at the inauguration of the newly-constituted Rubber Board at Kottayam, that the Government of India was seriously considering the establishment of a synthetic rubber plant to augment local supplies of rubber. In answer to this statement, Mr. M. S. Calderwood, Chairman of the Planting Committee of the U.P.A.S.I., said: "It is not an exaggeration to say that, if the industry is put on a proper footing, we can triple the production from 80 per cent of the area or increase our present production to about 47,000 tons without any increase to the area. In addition, there are large tracts of land in South Western India suitable for the development of rubber plantation. In the light of these facts, the proposal reported to be under consideration, for the development of a synthetic rubber industry in India by means of financial help from the Government, is entirely unrealistic."

The output of natural rubber in India in the current year is estimated about 22,000 tons (as against 21,136 tons in 1953, and 21,439 tons in 1951) and consumption at approximately 26,500 tons.

SUGARCANE CULTIVATION—A NEW METHOD

The Sugarcane Research Station, Gorakhpur, (Uttar Pradesh), has evolved a new method of cultivating sugarcane which, it is claimed, not only obviates the need for late plant but also provides the grower with a simultaneous "rabi" crop. Under the method, cane is planted in flat rows three feet apart in October, with one row in between sown to peas or grams or oilseeds. The new method marks a significant departure from the one now in vogue in the eastern districts of Uttar Pradesh.

FREE EXPORT OF JOWAR

Export of jowar will be licensed freely with immediate effect, subject to the maximum of 500 tons by an individual shipper from all ports, within an overall ceiling up to the end of December, 1955, or till the ceiling is reached, whichever is earlier. Announcing this, a notification, dated October 5, by the Joint Chief Controller of Exports, Bombay, said that the licensing will be done on "first come first served" basis and shipping bill will be made valid for a period of four weeks only.

GRADING OF LEMONGRASS

The Agricultural Marketing Adviser to the Government of India has conveyed to the Cochin Lemongrass Oil Exporters' Association the Government's decision to introduce a scheme for compulsory grading of lemongrass oil from December next. The communication also states that the Government is considering the question of prohibiting export of lemongrass oil outside India from December.

STANDARDS FOR OIL AND ACID

The Indian Standards Institution has circulated for a period of three months, for eliciting comments, draft Indian standard specifications for ethylene dichloride, technical, turkey red oil and tartaric acid, technical, pharmaceutical and analytical reagent. The draft Indian standard specification for ethylene dichloride, technical, prescribes the requirements and methods of test for specific gravity, distillation range, residue on evaporation, acidity, free chlorine, etc. It is hoped that the material conforming to this draft standard will be suitable for use in the paint industry as well as an insecticide.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	435.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ,, c ..	313.0	396.1	324.4	368.8	556.1	353.4	90.9	100.7	87.2	122.8
Week Ending										
13-8-1955 ..	315.1*	406.2*	326.6	371.6	562.8*	356.9	90.9	100.7	87.8	122.0
20-8-1955 ..	320.5	405.3	326.8	371.2*	563.2	358 5*	90.9	100.7	87.7	122.9
27-8-1955 ..	318.5	404.3*	325.1	370.6	562.4	357.2	90.9	100.7	87.7	124.4
3-9-1955 ..	318.2*	393.1*	325.5	368.6	561.8	354.7*	90.9	100.7	87.5	123.9
10-9-1955 ..	315.2	392.8	322.9*	368.7	554.2	353.2*	90.8	100.7	87.3	122.5
17-9-1955 ..	312.0	401.0	324.4	369.3	553.3	353.7	90.8	100.7	87.0	122.3
24-9-1955 ..	306.5	397.5	324.8	368.6	554.9	351.9	90.9	100.7	87.1	122.2

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
							Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	133
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	—	—	—	—	129	130
July	324	340	224	129	325	371	—	—	—	—	130	—
August	—	—	—	134	—	375	—	—	—	—	—	—
September	—	—	—	—	—	373	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	8-10-1955			1-10-1955			24-9-1955			17-9-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95- 0	94- 2	94-10	96- 0	95- 0	95- 6	95-10	94-14	95- 5	95-14	94- 8	95- 4
Silver (per 100 fine tolas)	170- 0	167-12	168-12	170- 4	166- 6	169- 1	166-12	166- 0	166- 9	166-10	164- 8	165-10

AVERAGE ANNUAL EARNINGS OF FACTORY WORKERS DRAWING LESS THAN RS. 200 PER MONTH

State	1947		1948		1949		1950		1951		1952		1953*	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Assam ..	755.5	100	795.8	105	942.8	125	1018.6	135	1017.9	135	1086.5	144	1265.1	167
Bihar ..	819.8	100	946.2	115	983.9	120	1059.1	129	1241.5	151	1422.7	174	1474.2	180
Bombay ..	977.9	100	1141.9	117	1210.1	124	1170.3	120	1270.5	130	1338.8	138	1346.4	138
Madhya Pradesh ..	572.3	100	609.2	106	841.9	147	936.8	164	862.0	168	876.8	153	898.0	157
Madras (including Andhra) ..	560.3	100	611.8	109	726.6	130	591.2	106	664.9	119	837.8	150	792.6	142
Orissa ..	493.6	100	612.6	126	527.0	107	680.6	138	762.4	156	847.2	172	880.8	178
Punjab ..	628.2	100	675.9	108	858.7	137	771.3	123	756.0	120	806.4	128	890.9	142
Uttar Pradesh	672.8	100	887.1	132	993.0	148	933.0	139	960.0	143	1002.9	149	1019.6	152
West Bengal ..	567.7	100	723.9	128	839.0	148	877.5	155	942.3	166	987.7	174	973.5	170
Part 'A' States	702.4	100	881.2	125	986.3	140	965.8	138	1030.7	147	1109.1	158	1109.6	158
Ajmer ..	445.3	100	527.2	118	552.0	124	660.0	148	694.2	156	702.0	158	603.9	136
Delhi ..	877.7	100	1047.3	119	1028.4	117	1061.6	132	1292.6	147	1340.5	153	1311.6	149
Part 'C' States	773.7	100	961.5	124	963.4	125	1003.9	130	1211.8	157	1239.9	160	1193.8	155
All States	737.0	100	889.7	121	985.9	134	966.8	131	1035.6	141	1112.2	151	1111.	

*Liable to minor revision.

AVERAGE ANNUAL EARNINGS OF COTTON MILL WORKERS

State	1939	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bombay	377	836	933	879	847	1,041	1,245	1,341	1,221	1,270	1,438	1,427
	(100)	(248)	(277)	(261)	(251)	(312)	(370)	(398)	(363)	(407)	(427)	(424)
Madhya Pradesh	..	482	506	562	495	652	797	870	1,083	875	963	993
Madras	190	363	370	361	441	670	754	916	..	704	844	943
	(100)	(191)	(195)	(191)	(232)	(405)	(397)	(482)	(..)	(371)	(444)	(496)
U.P.	270	595	588	573	602	708	1,001	1,096	1,062	1,292	1,147	1,128
	(100)	(220)	(218)	(212)	(223)	(262)	(371)	(406)	(393)	(479)	(425)	(418)
West Bengal	212	401	499	443	486	644	633	752	737	786	842	5'
	(100)	(189)	(235)	(209)	(229)	(304)	(299)	(355)	(348)	(371)	(397)	(2'
Delhi	324	532	824	784	745	849	1,049	1,109	1,137	1,568	1,442	1,5(
	(100)	(164)	(254)	(242)	(230)	(262)	(324)	(324)	(351)	(484)	(445)	(4(
All India	329	684	772	723	722	911	1,094	1,193	1,162	1,178	1,258	1,2:
	(100)	(208)	(235)	(220)	(220)	(277)	(333)	(363)	(353)	(361)	(382)	(3'

AVERAGE ANNUAL EARNINGS OF WORKERS IN THE JUTE MILL INDUSTRY

State	1939	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	19:
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	R
Bihar	177	260	288	375	219	204	374	615	790	698	794	76
	(100)	(147)	(163)	(212)	(124)	(115)	(211)	(348)	(446)	(394)	(449)	(43
Madras (including Andhra)	129	255	270	322	341	482	401	495	..	597	620	92
	(100)	(198)	(209)	(250)	(264)	(374)	(319)	(384)	(..)	(363)	(481)	(71
U.P.	149	445	421	394	436	554	798	945	827	892	842	82
	(100)	(299)	(283)	(264)	(293)	(372)	(536)	(634)	(555)	(599)	(565)	(55
West Bengal	235	357	366	393	431	503	645	803	807	821	917	92
	(100)	(152)	(156)	(167)	(183)	(214)	(275)	(342)	(343)	(349)	(390)	(39
All India	231	356	363	391	425	493	638	795	807	815	905	91
	(100)	(154)	(157)	(169)	(184)	(216)	(276)	(344)	(349)	(353)	((392)	(3

NOTE: Figures in brackets are index numbers with base 1939=100.

Source: Indian Labour Gazette.

PROGRESS OF EXPENDITURE ON ROAD DEVELOPMENT PLANS

(In lakhs of rupees)

States	Progress of Development Expenditure on Roads					Five year Plan	Plan including adjustments and scarcity area programmes	Balance 9=(8)-(6)
	1951-52 (Accounts)	1952-53 (Accounts)	1953-54 (Revised estimate)	1954-55 (Budget estimate)	Total 1951-55			
1	2	3	4	5	6	7	8	
Central Govt. ..	382.8	422.6	560.0	758.0	2123.4	3124.0	4124.0	2000.6
Part A States								
Andhra ..	82.6	53.0	44.6	30.3	210.5	*	248.4†	37.9
Assam ..	2.4	15.9	56.0	116.0	190.3	213.0	265.0	74.7
Bihar ..	202.1	202.4	178.4	340.4	923.3	800.0	1075.0	151.7
Bombay ..	173.3	398.6	511.2	695.9	1779.0	1163.6	1163.6	—615.4
Madhya Pradesh ..	45.2	44.6	44.6	38.5	172.9	200.0	200.0	27.1
Madras ..	92.8	72.9	53.4	54.0	273.1	500.0	357.6	84.5
Orissa ..	17.6	25.8	42.1	62.5	148.0	200.0	228.9	80.9
Punjab ..	19.7	18.5	18.7	109.0	165.9	75.1	310.6	144.7
U. P. ..	101.3	106.2	137.5	168.9	513.9	522.2	522.4	8.5
West Bengal ..	212.6	251.4	266.6	280.7	1011.3	1385.1	1401.6	390.3
Total Part A States ..	949.6	1189.3	1353.1	1896.9	5388.2	5059.0	5773.1	384.9
Part B States								
Hyderabad ..	28.7	17.4	37.1	51.6	134.8	128.6	147.6	112.8
Madhya Bharat ..	15.2	31.2	43.2	59.3	148.9	189.0	286.3	137.4
Mysore ..	38.6	63.0	102.7	113.2	317.5	320.1	334.1	16.6
PEPSU ..	20.1	24.1	33.0	18.6	95.8	95.1	179.4	83.6
Rajasthan ..	15.5	38.4	108.7	138.3	300.9	400.0	500.0	199.1
Saurashtra ..	24.5	69.0	89.1	137.4	320.0	300.0	300.0	—20.0
Travancore-Cochin ..	24.5	26.4	32.3	75.1	158.3	150.0	175.0	16.7
Jammu and Kashmir ..	10.9	14.2	44.4	65.6	135.1	494.4	537.3	402.2
Total Part B States ..	178.0	283.7	490.5	659.1	1611.3	2077.2	2559.7	948.4
Part C States								
Ajmer ..	0.6	1.2	3.7	7.4	12.9	15.9	15.9	3.0
Bhopal ..	4.3	5.0	13.2	2.2	24.7	40.0	40.0	15.3
Bilaspur ..	2.0	2.1	8.7	5.0	17.8	23.0	23.0	5.2
Coorg ..	2.3	0.9	6.6	9.0	18.8	20.0	25.0	6.2
Delhi ..	0.5	1.8	7.4	7.9	17.6	25.0	25.0	7.4
Himachal Pradesh ..	7.6	24.3	25.3	46.7	103.9	110.0	150.0	46.1
Kutch ..	4.8	15.7	6.3	16.5	43.3	58.3	58.3	15.0
Manipur ..	..	11.6	10.7	15.5	37.8	81.3	81.3	43.5
Tripura ..	3.7	9.9	27.8	40.2	81.6	128.0	128.0	46.4
Vindhya Pradesh ..	12.2	10.2	14.0	39.8	76.2	125.9	125.9	49.7
Total Part C States ..	38.0	82.7	123.7	190.2	434.6	627.4	672.4	237.8
Total for All States ..	1165.6	1555.7	1967.3	2745.5	7434.1	7763.6	9005.2	1571.1
Grand Total ..	1548.4	1978.3	2527.3	3503.5	9557.5	10887.6	13129.2	3571.7

* Shown under the Plan of Composite Madras.

† Andhra State Plan as approved by the Planning Commission in February 1954.

Source: Taxation Enquiry Committee Report.

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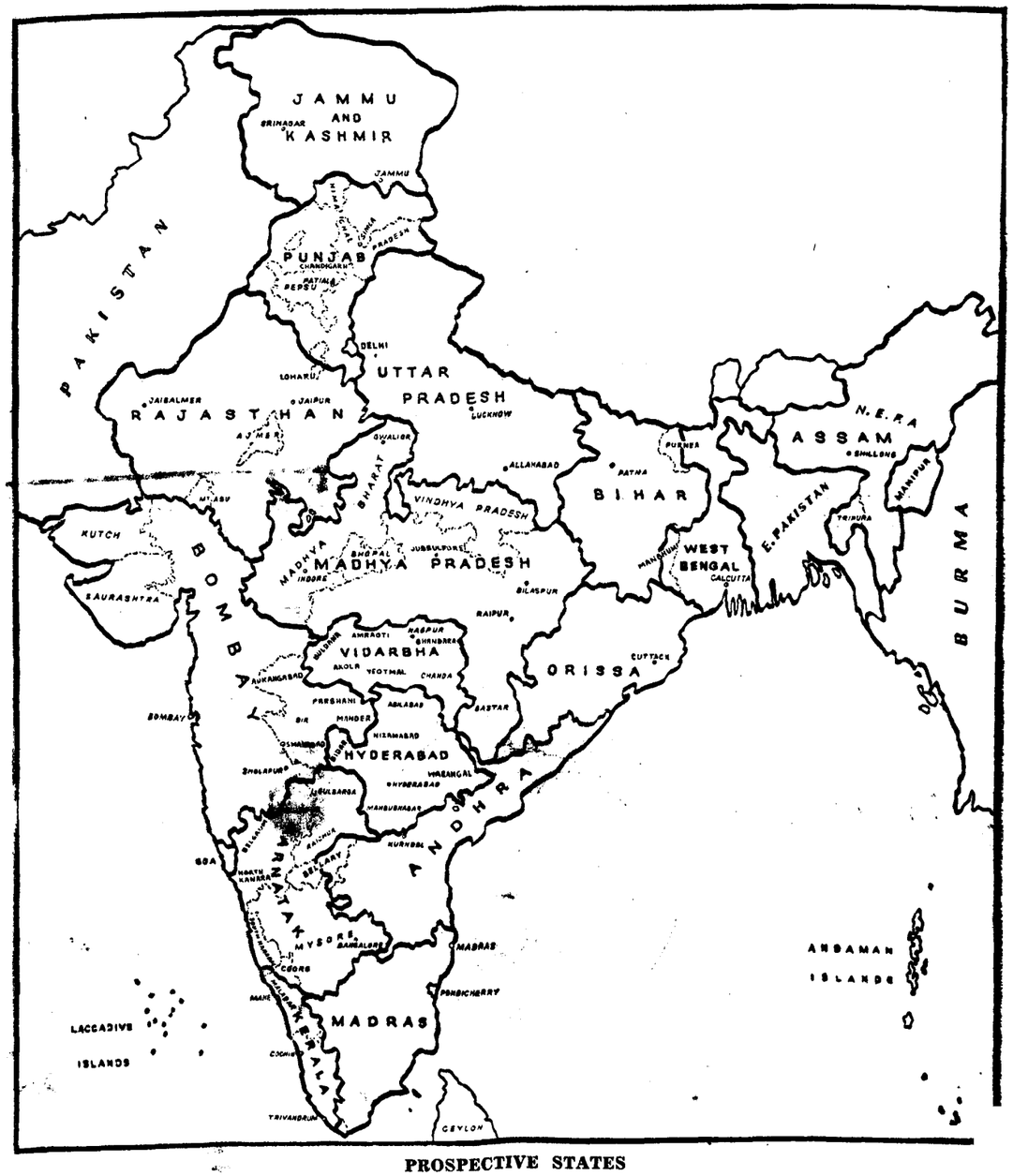
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INDIA RE-DRAWN

(As recommended by the States Reorganisation Commission)



PROSPECTIVE STATES

The prospective States their area and population.

	Area (In sq. miles)	Population (In millions)		Area (In sq. miles)	Population millions
Madras	50,170	30.0	West Bengal	34,590	26.5
Kerala	14,980	13.6	Assam	89,040	9.7
Karnataka	72,730	19.0	Orissa	60,140	14.6
Hyderabad	45,300	11.3	Jammu and Kashmir ..	92,780	4.4
Andhra	64,950	20.9			
Bombay	151,360	40.2			
Vidarbha	36,380	7.6			
Madhya Pradesh ..	171,200	26.1			
Rajasthan	132,300	16.0			
Punjab	58,140	17.2			
Uttar Pradesh	113,410	63.2			
Bihar	66,520	38.5			

The area and population of the three Central administered areas will be as follows:

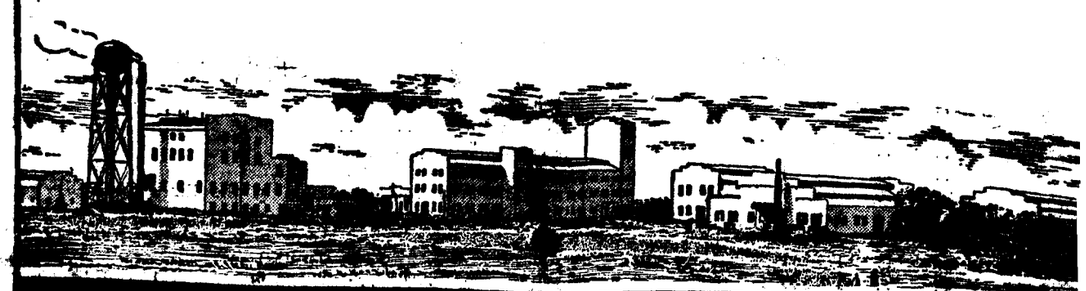
	Area (in sq. miles)	Actual Numb
Delhi	578	1,744,072
Manipur	8,628	577,635
Andamans and Nicobars	3,215	30,971

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The Second Colombo Plan

THE discussions at the Colombo Plan Conference in Singapore this week have shown, at least so far as India is concerned, a deep element of unreality. Lord Reading, leading the delegation of the United Kingdom, obviously the most important delegation in the Commonwealth, could only promise a preliminary £7 million for the extended second Colombo Plan due to start on July 1, 1957. The order of magnitudes presented by Lord Reading seems to suggest that the United Kingdom delegation has taken no account of the fact that between 1950 and 1955 the order of capital requirements in the Colombo Plan countries has changed beyond all recognition. At the other extreme was Mr. Gulzarilal Nanda, India's Minister for Planning, who quite blandly told this Conference, which was dealing in unit millions and not hundreds, that India estimated that she alone would need Rs. 11,000 million of foreig capital for the second Five-Year Plan. As further to underline his lack of appreciation of th change in the outlook of private foreign capit following recent legislation in India, Mr. Nand called upon the United Kingdom private investc to enhance his "traditional role" of a major ir vestor in this country.

Something has been seriously wrong wit recent Colombo Plan Conferences. But almos no previous Conference has been as unreal as the present one. On the one hand, there are delega tions like Britain's who still talk in magnitudes reminiscent of the pre-Colombo Plan era, wher anything seemed good enough as a beginning There was nothing anachronistic in an eight mil lion sterling Technical Assistance Fund in 1950 But who would dare establish a Fund of this siz

for the six years beginning in 1957 unless the Colombo Plan Conference is conceived—as apparently Lord Reading's figure of the United Kingdom commitment suggests—as only a paltry element in a much larger total figure finally to be obtained from many sources? On the other hand, if the purpose of the Conference was so limited, Mr. Gulzarilal Nanda's speech was clearly out of place, or, if it had a purpose, it was not an appeal to the Conference but was directed to a far larger audience abroad. It is right that India's needs should be thus displayed. But there surely is the greatest blindness in official quarters if it is believed that the mere display of a gap of this order will of itself attract private investment at a time when the opportunities of equally profitable investment abroad are growing.

In the first place, the threat that our balance of payments which has been favourable for the last three years might become seriously adverse in the next five, will tend not to encourage but seriously to deter further investment. This is for the simple reason that it will be believed that, with gaps of this magnitude, foreign exchange control will be more stringent and might even affect the remittance of profits which hitherto has been absolutely free. Apart from this, conditions in Western Europe, which have stayed at the boom for two years, make it unlikely that business men will be impressed merely by the size of opportunities. So far as India is concerned there is less enthusiasm in business circles in the United Kingdom than ever before. Recent enquiries conducted in person by an "Eastern Economist" representative show that business circles in the United Kingdom have taken recent changes in economic policy, such as the amendment of the Constitution, the new Companies Act and the "socialistic pattern of society" particularly as exhibited in personal taxation, very much to heart. There is room for co-operation on a growing scale and of collaboration agreements without much new investment. But in the present temper of business men and the vast opportunities presented by boom conditions in Western Europe it is only the adventurous business men that will seek out India from a large number of possible countries for investment. There is no doubt that the advent of welfare policies at home—with a strong current of egalitarian philosophy included in the mixture—has contrived to reduce the element of venture in Western European business. Anyone who in these circumstances expects any substantial change in the flow of private foreign investment from the United Kingdom at any rate is building on sand. No Minister of the Central Cabinet of the Indian Union should allow himself to ignore the hard facts of this situation.

It is time that those who make policy in the Colombo Plan and elsewhere should recognise that conditions of development in the Indian Union have now to be conceived in substantially different, and largely political, terms. It is true that India's economic performance in the first Five-Year Plan has been outstanding by any standards, and has even led, as has been argued frequently in this paper, to the questioning of certain fundamentals of current underdevelopment economies. This, however, does not detract from the fact that as India's second Five-Year Plan is constructed at the present time, there is likely to be a shortage of supplies as well of finance which will not be bridged unless friendly governments undertake to treat our needs as deserving of the highest priority on other than strictly economic considerations.

So far as the Colombo Plan—new or old—is concerned, it must be treated with good perspective. At the time when the new capital requirements were very relatively small and the capacity for absorption of additional aid, even in the case of India, negligible, there was enough importance in Colombo Plan schemes and the technical assistance which went with them. At the present time, the Colombo Plan Conferences are entirely marginal to India's national development plans, the scale of which has outstripped many times the total Colombo Plan assistance programmes. Again, Colombo Plan assistance is no longer of the catalytic kind, designed to bring to life national effort. From every point of view, therefore, it is merely a source of distraction to think of the solution of economic development problems in the Indian Union in Colombo Plan terms. The second Colombo Plan may proceed on a larger base than the first, but it will still be entirely marginal to India's needs, and not deserving of the place the Colombo Plan still occupies in official thinking. The major question of foreign supplies goes far beyond any subject raised at Singapore.

Assuming, as has been argued, that the contribution of private foreign investment can only be small, the only prospect of filling our gap is by government aid, either directly through grants or indirectly through subsidies given to private business houses to give them the requisite inducement to enter the Indian market on a much larger scale. So far as the Free World is concerned, it is likely that the latter will be the means employed. It is important to recognise that in principle these subsidies, like direct aid, will be political in nature, though there is certainly an economic argument in that Western European business men are anxious to hold an existing market against future competition, particularly from the U.S.S.R. and the Eastern European countries, new rapidly developing trading competitors.

The main argument for assistance is, however, frankly political. India, as indeed the whole of South-East Asia, represents—even if under somewhat changed circumstances—a frontier of the Free World. Because it is a frontier, it should be considered in frontier terms, that is to say, an area where expenditure in defence and strategic terms must be larger than it would be normally for safe areas. This involves, however, no impossible cost. In the case of the Indian Union internal self-help has proceeded so far that the Free World's contribution to frontier defence is now relatively small compared to the issues at stake. It is likely that India can sustain with her own resources advance at the rate of 4 per cent per year. It is only for the additional 1 per cent to make the 5 per cent of the second Plan that foreign assistance will be required. It would be fair to place an upper limit of Rs. 1,000 crores on this figure, corresponding to an actual expenditure which may amount over the five years to Rs. 5,000 crores at current prices.

Apart from sterling releases, there will be a significant quantity of foreign aid via the United States. There are also deferred payments likely under both the Russian and British steel plants though one need not be too optimistic in regard to the terms on which British business interests will be prepared to make supplies on deferred payment. It is likely that the real gap—after allowances are made for all likely assistance—will be of the order of Rs. 500 crores. This is, without question, Marshal Bulganin's opportunity. The visit of Marshal Bulganin next month presents a challenge to the Free World far more strikingly than any argument that can be presented in this, or any other publication. For the Free World it is full of danger, particularly as a gap of the order of Rs. 500 crores over five years can be readily filled by the USSR and the satellite countries, who unhappily see with far greater vision than the Free World at the present time the strategic character of the Indian Union.

Nothing should be done to suggest that the leading political figures in the United Kingdom do not recognise some of the elements in this situation. One of the strongest elements of good fortune which both Britain and India enjoy at the present time is that the Prime Minister of the United Kingdom, Sir Anthony Eden, has a deep understanding of Indian objectives both in politics and economics and can deal with India's Prime Minister in terms of intimate personal friendliness. In the last analysis, it is almost certain that the imaginative political approach will prevail over short-term economic hesitations. But time may well be the essence of the piece in view of the approaching Russian economic offensive. One may well ask whether the negotiations of the British Steel Mission—the first testing ground for imaginative understanding—will match the corresponding Russian effort. The Free World knows what is at stake; but its instruments do not appear to have the same capacity to manoeuvre.

This is a situation which is directed as much to lovers of freedom in India as it is to the Free World generally, and to that particular portion of the Free World which has economic ties with this country. It is fair to say that the political implications of the second Five-Year Plan have nowhere been fully appreciated. They are, with Marshal Bulganin's visit, already upon us; shadows before their substance. The substance may be many years in coming; we must measure its force by the magnitude of the shadow we shall shortly see.

Management of State Industries

IN the last few years the search for a suitable form of organisation for the administration of State undertakings has been continuous. A certain amount of incompatibility has been felt between the necessity, on the one hand, for the delegation of powers of management to those formally in charge of State undertakings and the exercise of that amount of control by Government which is necessary to discharge its responsibility to Parliament. The case for control has inevitably won, partly because the system of management was such as to strengthen Government's control and partly because the responsibility for standards of accounting for the proper use of public funds has entailed a certain amount of interference. The golden mean between control and autonomy has in this, as in all other spheres, eluded definition. But it may, perhaps, be said that in this matter there has not even been a desire to seek out the guiding principles that should govern day-to-day practices. Some homage has indeed been paid to the idea of autonomous corporations but in practice there has been too much hesitation to accept all its implications which has left the whole qestion in a state of suspense.

In its Sixteenth Report, the Estimates Committee has attempted to grapple with this problem. As a Committee of Parliament, it is in a position to define with some authority the degree of responsibility which Parliament would normally expect the executive to show in order to satisfy its own demands for vigilant supervision of public undertakings. Particularly in respect of financial control, the Estimates Committee has special authority to lay down how far the management of public funds can be entrusted to autonomous or semi-autonomous agencies, at the same time safeguarding the taxpayer. The views embodied in the Report have, therefore, some importance irrespective of the merits of the several proposals contained therein.

The Committee has pronounced a categorical disapproval of industries run on a departmental basis—which it considers "unsuited to any public or commercial activity" except for posts and telegraphs and, to some extent, in the railways. But has the system of setting up the undertakings as public limited companies proved any better? The Committee does not hesitate to answer in the negative. For all practical purposes, they have functioned like private limited companies and in spite of the safeguards which Parliament recently provided in giving a special position to Government companies under the new company law, it is unlikely that this special position would change considerably. One of the suggestions made by the Committee is that public interest in management can be promoted by offering to private investors at least 25 per cent of the total share capital.

This point is less relevant than the Committee's finding that the Directors on the Boards appointed to various public undertakings have not been fulfilling any useful role as they are all nominated by Government from among the officials of various departments. Their inexperience of business management and training in circumlocutory official procedures have not contributed to the efficient functioning of industry. The company form of management has thus become a nominal one which has not served its purposes. It is heartening to find the Estimates Committee going so far as to recommend the abolition of this system and its substitution by a Board of Managing Directors consisting of men of wide experience, preferably from private business or those who have some knowledge of financial and technical matters.

The crux of the matter is whether such a corps of managers can be found and, if found, be given the freedom to which they have been accustomed in their own particular fields of activity where their experience has been gained. The Committee has no doubt that such freedom should be given and that a new system of relationship should be found between the Minister and the Managing Director which would terminate the existing departmental status of public undertakings. It is considered that an Advisory Body consisting of public men can function as an effective liaison agency but it is doubtful whether the management will feel more free when the agencies to which it is accountable are thus multiplied. It is unlikely that the Minister's de facto powers of intervention would be curtailed merely because of such agencies. There will also remain the powers of audit, providing opportunities for scrutiny.

This remedy is not indeed an appealing one. Every effort must be made to secure the best and most reliable men for management but they must

have defined discretionary powers which will not be questioned—even by audit—so long as they are exercised bona fide and in the normal course, even if subsequent developments reveal miscalculations or errors in judgment. The tendency to judge by results can often discourage experienced men from offering their services. Some conventions have to be established in these matters but there is no escape from the fact that discretion should be real if the evil of departmentalism should be checked. The Estimates Committee has found that the Administrative Services do not constitute a satisfactory source of recruitment for managers of commercial enterprises but it is naive to believe that merely by fixing ceilings to salaries in the private sector incentives would be found for attracting talent to the public sector.

The Committee's insistence on the adoption of business principles in public enterprises is a heartening recognition of the fact that these principles are not as dark as they have been painted in recent discussions. The verdict of a parliamentary Committee that departmentalism is worse and should be scrapped can restore the perspective which has been lost in setting out standards of assessment of the two sectors.

Tourism and India

THE place of India in the tourist map of the world has been brought to the fore by the current conference in New Delhi of the International Union of Official Travel Organisations inaugurated by the Prime Minister. It is in keeping with the spirit of the times, with its emphasis on co-existence and mutual understanding among nations, that efforts are being constantly made to facilitate travel from one country to another by relaxing customs and passport regulations and liberalising other formalities that tourists have had to observe in travelling abroad. The day when travel restrictions would become a thing of the past may be far off, but it is time that every effort was made to reduce, if not eliminate, all the impediments to the development of a full-fledged tourist industry in our country. Tourism today is not merely an item of invisible export, but an "exporter of goodwill"; if comprehends the lofty objective of promoting social, cultural and economic intercourse between nations. It was in the fitness of things, therefore, that the Prime Minister called attention to the wider human purpose served by tourism—"a purpose which is becoming more and more important and vital as this world grows more and more closely knit together by communications".

The tradition of tourism, even in the economic sense, is of recent growth in India as well as in the rest of Asia, thanks to their low standards of living and consequent low spending power. As a result, unlike the average American or European, the average Asian is not tourist-minded and our conception of tourist traffic continues to be the flow of travellers from the West to the East for business or for pleasure. There have, no doubt, been some measures taken recently in India in developing tourism, even though it must be conceded that the process of development has not been such as to warrant undue optimism unless, in the next five years, efforts to make tourism an organised industry are accelerated. Authoritative figures show that India witnessed an increase of 20 per cent per annum in the rate of foreign tourist travels since 1951 when 21,000 visitors came as against 39,000 in 1954 and 23,000 up to the end of July 1955. How poor this result is will be evident from the fact that in 1952, the number of tourists who visited Switzerland was 5.33 million, Italy 3.19 million and the U.K. 7.23 lakhs. As many as 23 million foreigners are estimated to visit European tourist resorts every year. This means clearly that, even if the present number of tourists to India trebles in the next five years, it will not be a significant rise, considering the vastness of the country and the large number of centres of attraction.

It is obvious that, as long as this country continues to put up such poor showing, it will not be economical for it to adopt the high standard of comforts and degree of facilities for which Western tourist centres are justly famous. But as long as the lack of basic facilities persists, it is futile to think of drawing streams of visitors from abroad, much less expect them to stay for more than very brief periods. No doubt this country is blessed with not a few beauty spots, health resorts, hill stations as well as historic and pilgrim centres, scattered far and wide. But no planned attempt to provide the basic tourist facilities, such as communications, transport and accommodation, has been made by the State. Many of the country's tourist resorts, particularly those in the mountains, are off the communication track. There is not enough co-ordination between the Government and the private travel agencies which will ensure cheap and quick transport and hotel accommodation to tourists of different means.

There is also need for more and better tourist bureaux and guides; and, as the tourist wishes to see as many places as possible within the limited time at his disposal, it is necessary to make tourist resorts easily accessible by air and by fast railway and road services On the continent, organised sightseeing in cars and coaches at attractive rates is a common feature. This is worth emulating by both the Government and private travel agencies in our country. Apart from these drawbacks in respect of our tourist resorts, there have also existed several unnecessary and irksome regulations which have caused annoyance to visitors on their arrival. The Government of India has now ordered certain changes in the procedure governing formalities to which foreigners have hitherto been subjected.

The International Union of Official Travel Organisations has done commendable work in successfuily persuading many countries to relax cessfully persuading many countries to relax their their customs, passport and currency regulations. Thanks to its influence, during the nine years of its existence, more than 700 visas have been abolished. Another gratifying fact is that in several countries where the Union has functioned, currency allocations to tourists have been significantly enhanced, with the result it is possible for many visitors to have a pleasant holiday abroad. The I.U.O.T.O., in short, aims at the fulfilment of the Fifth Freedom—the freedom of movement. Its efforts are bound to promote increasingly mutual appreciation among the nations, mutual trust, social sense and neighbourly love—things the world sorely needs today. And from its practical achievements, India could draw due inspiration in organising its own tourist industry.

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THE WEEK'S NOTES

WORKING COMMITTEE ON SRC

THE CONGRESS Working Committee's resolution on the Report of the States Reorganisation Commission has been wisely drafted to avoid any commitment to implementation of the Report in any particular manner. The object is to give opportunities for full consultation and the statement that "the final decisions arrived at should represent the general consensus of opinion" would greatly reassure those who have serious objections to some of the Commission's proposals. The discussions in the Working Committee, which are reported to have been frank and free, could not have failed to disclose the drawbacks of the solutions on the most crucial issues and so far the expressions of dissatisfaction have not taken undesirable shapes. The Working Committee has called upon Congressmen to avoid an agitational approach, especially in conjunction with other parties which may indulge in agitation. This is a disciplinary instruction which would help to keep controversies within decent limits. Acharya Kripalani's statement that the report should be accepted "blindly" seems yet another indication that even non-Congress groups would not seek to exploit such issues to further party advantage. The Communist Party's support for a United Maharashtra was not unexpected. It is not an unimportant factor in an already complicated problem of the enlarged and bilingual Bombay.

Perhaps a milder, but not an easier, problem than Bombay is the attitude shown in Mysore over the proposal for Karnataka. The reluctance of some sections in this State to merge in a larger unit has, for the moment, created a Cabinet crisis and it well illustrates not only the weakness of the linguistic argument but also the contradictions involved in some of these movements. On the one hand, there are protests against the separation of the Bellary taluks and demands for the merger of Coorg and Kollegal taluk; on the other, there is a refusal to share Mysore's prosperity with the less prosperous areas to be detached from Bombay and Hyderabad. Thus, even smaller linguistic groups, when tempted by economic or communal considerations, appear to subordinate their romantic notions of linguistic solidarity to narrower loyalties. Even the States Reorganisation Commission has, surprisingly enough, made use of such tendencies and recognised a distinct Vidarbha sentiment, which, lured by the prospect of keeping its own rich resources, may impede for ever the United Maharashtra movement and maintain the composite character of Bombay. The Commission has given this desire to remain in exclusive enjoyment of resources a status which cannot be reconciled with its plea for Indian unity.

LOAN TO BURMA

AT THE request of the Burmese Government the Government of India have now agreed to give Burma a loan of Rs. 20 crores, instead of a loan of Rs. 10 crores and a line of credit of a similar amount as was originally intended. The details of this loan have been settled and the loan agreement was signed this week and instruments of ratification will be exchanged in Rangoon as soon as possible.

The rate of interest on the loan is 4 per cent. The principal amount will be repaid in half-yearly instalments of Rs. 2½ crores beginning in March 1959. The loan will be convertible into all sterling area currencies, since the major object of the loan is to meet Burma's foreign exchange requirements under the Plan. With the declining price of rice, Burma's earnings have dropped steadily creating uncertainty not only for the Burmese budget which depends on State-trading in rice but also for the import of the consumer and capital goods needed under the Plan. The line of credit originally proposed might have served the purpose equally, particularly because India would be in a position to supply the goods needed. But the revised arrangement has the technical advantage of convertibility into sterling area currencies so as to enable financing of purchases from other countries also.

COMMONWEALTH RELATIONS

LORD HOME, Secretary of State for Commonwealth Relations, who will be visiting India this week-end, has become famous in this country mainly for his refusal to hand back the India Office Library to India and Pakistan. This particular question is likely to obscure, if not efface, whatever contributions he has made to the strengthening of Indo-British relations during his term of office. It has now been reported that a second request on this subject from Maulana Azad, Minister for Education, has also been rejected by the Government of the U.K. This stubborn refusal to concede a point which seems too obvious to everyone in this sub-continent may be an indication of a new trend in British policy towards India which hitherto seemed adaptable to the demands of Indian nationalism. If there had been at least a semblance of legality in British ownership of the Library there might have been some justification for refusing to comply with the demand of the Government of India. There is not a shred of doubt in India that the Library was nothing more than an incidental part of the British set-up, formerly required to administer the Indian empire, and that the British have a moral as much as a legal obligation to render unto India the things that pertain to her.

If specious legalistic arguments are to be pressed to the exclusion of all consideration of equity and good relations, it can sometimes become a two-way traffic. The Public Accounts Committee recently raised a vital issue of principle involved in the transfer of India's liabilities to British pensioners and there is no doubt that the PAC has taken a technically unassailable stand. There was certainly no reason to imply, by such transfer, a lack of confidence in India's integrity in regard to her foreign pensioners. There was also no reason to prevent India from dealing with individual pensioners whose "misconduct" within the meaning of the rules would render them liable to forfeit their pension rights. If such considerations have been disregarded in making settlements on such issues, it is because of a desire not to stand on technical objections even if they are sound. It would be idle to talk of building up Commonwealth Relations in disregard of all the various little or big matters which help to cement them.

CHOOSING CANDIDATES FOR CONGRESS

IF THE procedure now suggested by the Central Election Committee for the selection of candidates for the Congress Party at the next elections is implemented in spirit, we may expect the Congress to do a better job than what was done in 1951. The circular now issued to Pradesh Congress Committees emphasises some of the old virtues which had long ceased to matter under the new party leadership at local levels in the post-independence period. One of the major developments is the communal character of local leadership which determines the choice of candidates for all levels of parliamentary activity and so long as there is a compromise with purely communal considerations on the ground of political necessity, it would be futile to set high standards. Ultimately, the Congress Party has to select its men with a view to winning the election and defeating its rival parties; and the latter it has been known, have no compunction in setting up candidates according to the strength of communal feeling in particular areas. In this competitive effort, principles may often be thrown to the

winds. There is also the question of a candidate's ability to finance himself and since under the proposed amendment, expenses by a party organisation will be excluded from a candidate's election expense return, the candidate's ability to contribute to party funds may also have an important bearing on the choice.

In the case of sitting members, it is observed that his contact with his constituency will be regarded as an important factor but no less necessary will be a scrutiny of the record of his parliamentary work—apart from voting with the party whenever occasion demands it. The Central Election Committee has asked for a panel of names so that its discretion may not be limited by the decisions of Pradesh Congress Committees and Election Committees but even this may give rise to complaints among Congressmen against one another which may baffle the Central Committee and make it yield to the demands of the local party boss.

PROSPECTS OF DISARMAMENT

IN A week from now, the Big Four Foreign Ministers will be meeting in Geneva. Disarmament will, undoubtedly, form an important item of the agenda. Meanwhile, President Eisenhower and Marshal Bulganin have exchanged seemingly encouraging correspondence over the subject. On the one side, the Russians have accepted "in principle" President Eisenhower's plan for exchange of information about military establishments and aerial inspection in either country. On the other, the U.S. President has favourably reacted to the Russian proposal of stationing inspection teams at key points to help create a "better spirit". On a second reading, however, the proposals seem to bind neither party to any specific commitment. Yet, their significance otherwise cannot be exaggerated. The two sides having agreed to broad outlines for the first time in many years, it may be possible now to proceed with the discussion on details.

Details, however, are necessarily intricate and inter-connected. The future role of Germany, the control over nuclear weapons and the military bases of the two sides are all connected with the problem of disarmament. Again, a new factor, that may appear to have no direct bearing on the problem, is the present situation in West Asia, which is fraught with danger. That peace is indivisible is an old truism but it has not lost its relevance today. It will be meaningless for the major Powers to discuss disarmament while seemingly to indulge in a competitive supply of arms to an explosive region where Egypt and Israel, technically still at war with each other, are adopting bellicose attitudes. It will be unfortunate if whatever little progress has been achieved is permitted to fade away. If agreement can be reached on any one of the inter-related problems, it is possible that others will appear less difficult of solution.

PROMOTING TOURISM

THE GOVERNMENT'S decision to simplify the rules governing the arrival and departure of foreign visitors, announced on the eve of the tenth General Assembly in New Delhi of the International Union of Official Travel Organisations, is both welcome and timely. Visitors will in future be required to fill only a disembarkation card and submit a health declaration to procure a registration certificate. Arrangements will be made to reduce considerably the clearance time at the ports, and the limit of carrying jewellery for personal use will be raised from Rs. 2,000 to Rs. 10,000. However, unlike West-European countries, India does not earn substantial foreign exchange from tourist traffic. Even though the number of foreign tourists has nearly doubled from 20,000 in 1951 to over 39,000 in 1954, and a 20 per cent increase is maintained, a rough estimate of foreign exchange earned in 1954 puts it at $10 million, of which hard currency formed 32 per cent. For a large country like India, this does not represent any significant gain. The promotion c home tourism, which may also form an economic bas for the development of foreign tourist traffic, shoul also, therefore, receive attention.

India has a large network of road, rail and a communications. Yet, most places of tourist intere are generally ancient monuments and cities that l away from the main lines of communication. Som hill stations are not easily accessible. Accommodatio is another serious problem. Our principal cities an hill resorts can offer either very expensive hote usually of foreign type or no hotels at all. As suc the home tourist of the middle income group finds difficult to arrange accommodation which would su his resources and pattern of living. Basic amenitie will, therefore, need to be provided not only for diff rent types of tourists, but also at different levels. A ready, some improvements have been effected like th provision of comfortable coaches in some States, cor cession rates on railways for travel to hill stations, an utilisation of government rest houses by tourists. Bu there is much to be learnt from the experience c some foreign countries which have taken effectiv steps in developing tourist facilities and attractin foreign travellers. In the initial stages, large-scal expenditure on development of tourist centres may nc be an economic proposition and attention may need t be concentrated only on a comparatively sma number of selected places to make them easy of acces and otherwise sufficiently attractive for both foreig and home tourists. Another aspect which will nee more attention is to organise a widespread publicit campaign abroad to popularize holiday traffic to Indi

ANGLO-JAPANESE TRADE AND PAYMENTS AGREEMENT

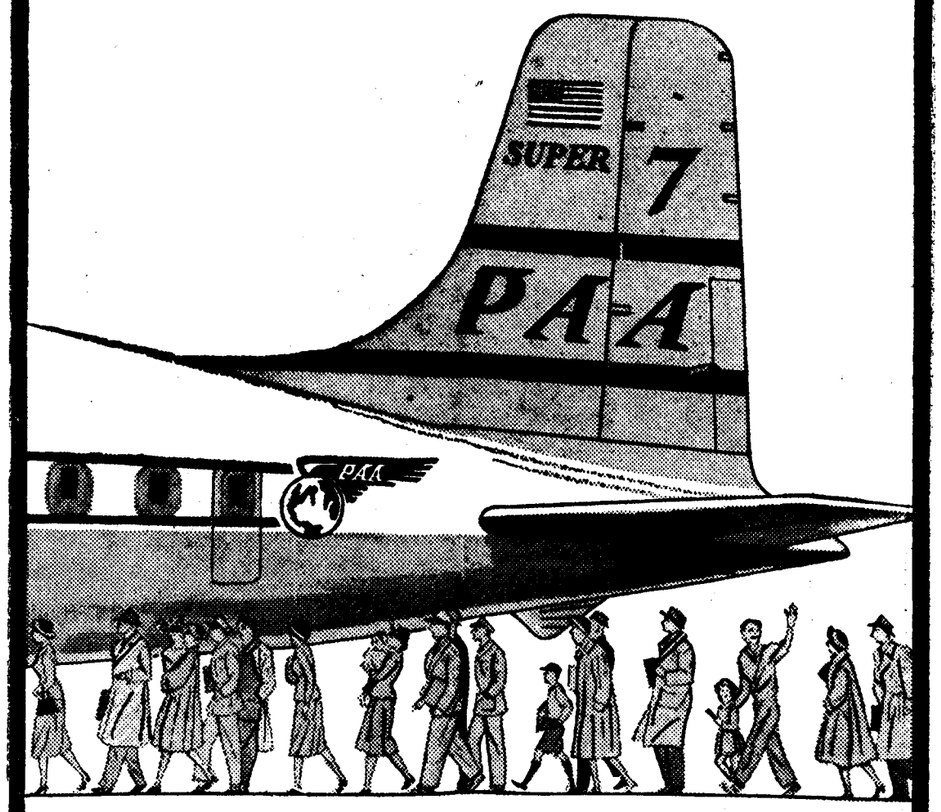
THE FOLLOWING announcement was made in Londo by the British Board of Trade and the Treasury o October 17:

"The negotiations which began on June 23 betwee the delegations of the United Kingdom and Japa regarding trade and payments between Japan and th Sterling Area have been concluded. An exchange c Notes was made today, extending, for 11 months fro October 21, in its existing form, the payments agre ment between the United Kingdom and Japan. Th two delegations have also agreed upon trade arrang ments, including new import quotas and treatment c invisibles, which will apply between Japan on the on hand and the United Kingdom and its dependent terr tories on the other hand".

At the time the 1954 agreements were negotiate it is pointed out in London, Japan's sterling position wa serious. It was, therefore, necessary to give Japan greate opportunities to earn sterling. This was done by ir forming the British colonies that they were free t import from Japan up to their stated requirement and by granting additional import quotas into th United Kingdom. It was thought that, as a resul Japan's trade with the Sterling Area would roughl balance at a level of rather more than £200,000,0 each way. In fact, the Japanese did much bett than expected. They were able to achieve a net su plus over the year 1954. When the negotiations opene in June of this year, the prospects were that unle Japan increased her expenditure in the Sterling Are or Sterling Area expenditure in Japan was curtaile Japan would earn a substantial surplus in the next 1 months. Britain's object in the negotiations was t secure agreement by Japan that she would take mea sures to redress the imbalance by providing increase facilities for Sterling Area trade and by removing di crimination against Sterling Area imports.

It is expected that the provisions of this agreemer will result in a broad balance of trade between Japa and the Sterling Area at a rather higher level than i the first half of 1955.

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SOVIET SUPPLIES FOR INDIA?

By

ODYSSEUS

FIVE HUNDRED CRORES of rupees, or £375,000,000, is the currently estimated amount of foreign exchange credit that will be needed to implement India's second Five-Year Plan.

If India does not mind from what country she obtains this foreign exchange, she will have no undue difficulty in getting it.

The main available sources are the U.S.A., the U.K., Western Europe (mainly Germany), and the Iron Curtain countries (essentially the U.S.S.R. and Czechoslovakia). Does it matter from which of these countries the credit comes? At first sight, many people may be inclined to answer that what matters is to raise India's production and standard of living, and that this is purely an economic problem into which politics do not enter.

But you can no more keep politics out of economics today than you can stop iron from rusting, and there can be no doubt that, were India to accept the greater part of her requirements from Iron Curtain countries, this would profoundly affect her political and commercial and cultural relations with the Commonwealth, the democracies, and the free world generally. For while India might interpret purely as a commercial transaction, of no ideological significance, a demonstration of her neutralism, the acceptance of credit from whatever source, nobody else would.

If the free world secures the bulk of India's foreign orders for capital goods, the U.S.S.R. will regard this as material evidence of India's refusal to enter the communist world, whereas if the U.S.S.R. books the bulk of India's orders, the free world will regard this as a tremendous step towards binding India to communism. And, on reflection, you may perhaps agree that in either case these interpretations contain an element of truth, because the importation of capital goods (which means the erection of vast plants) entails closening relations with the country of their origin. British or Soviet or German or Japanese technicians will be required to supervise installations derived from their respective countries, and to train Indians in their use, and in many cases for a period of years to come spare parts and renewals will have to be imported.

THE QUESTION FOR INDIA

Consider, for example, the parallel case of Colonel Nasser's decision to buy Soviet tanks, guns, and equipment. If we feel able to ignore the vital question of the effect of these supplies on the balance of power, and therefore on the peace, of the whole area stretching from Turkey to Pakistan (a country that happens to be just next door to India, you know), then the mere physical presence of these goods in Egypt would not disturb the free world. What is alarming is that these supplies must bring into the Canal zone a mass of Soviet technicians to organise and supervise and teach their use, and interspersed with the technicians will be members of the Soviet Intelligence Corps (the gpu or the N. K. V. D.—I have long ago lost track of s ever changing initials).

It would, therefore, seem that in deciding which countries to approach with a request for the bulk of the foreign credits needed for the second Five-Year Plan, India cannot escape a choice between the free and the communist worlds.

India's choice will be guided by her national interests. The question to be answered is: Will India's internal affairs be endangered more by (a) the continuation and strengthening of her existing ties with the democracies, or by (b) the promotion of closer ties with, and the admission of an army of experts from, the country which sees world salvation in world revolution? Is it better for India that her young men should proceed abroad for technical training to countries in which they are subjected to the same democratic influences which are part of their home atmosphere, or to the monolithic indoctrination of communist educational centres? From which foreign bloc has neutralist India less to fear and more to gain?

For reasons explained here on innumerable occasions (see, e.g., "Sikhistan in Andhra?" on September 9, and "The Comfort of the Cold War" on May 6 of this year), the answer to these questions is that the maintenance of our traditional friendship with the free world is a source of strength to us because the free world has a vested interest in upholding India's independence which (a study of the C.P.I.'s record shows) the communist world has not.

In the context of the Five-Year Plan, the free world means Britain, Germany and Japan (for U.S. markets raise dollar problems and other western countries have negligible supplies to offer), and of these three countries the supply of capital goods from Britain would cause the fewest difficulties, technical, training, and administrative, since we (still!) understand English, are accustomed to British technical ways and methods, and have substantial unspent sterling balances.

THE QUESTION FOR BRITAIN

I began by saying that India will have no difficulty in getting the foreign exchange required, and this brings me to the all-important question that must be put to the British: If we turn to you, can you give us the supplies we need? If you cannot, the Soviets will, for ideological reasons, fill the gap, even at the risk of some internal strain to themselves. Can you offer us as long, and as cheap, credit as the U.S.S.R. offers (2½ per cent for ten years)? Can you offer reasonable delivery dates?

For if it seems, on balance, to India's greater advantage to buy British, it is equally in Britain's interests to sell Indian. There is no one-way traffic in international interests. If Britain fears to see India turn to the Iron Curtain countries for economic development, she must provide the wherewithal herself. That Britain is ready to make some contribution is certain, but whether she is ready to make the effort to close the entire gap is as yet unclear.

It is not clear because Britain is at present faced with a variety of economic problems and with some

...ase the con-
...ments first, India is a sterling country and, as far as I know, the British Board of Trade has never modified its exhortations to British industrialists to serve the dollar area first. Indeed, one constantly hears it repeated that British exporters are indolent and prefer to sell within the sterling area but have to be goaded into meeting the more exacting specifications of dollar buyers. But the major difficulties with which Britain is at present contending arise from inflation. If the Chancellor of the Exchequer is urging the banks to restrict credit at home, how can he allow generous credit abroad? If the British Board of Trade can find no practical answer to this question, do they expect India to postpone the implementation of the second Five-Year Plan indefinitely until at some unspecified date Britain's inflationary bottlenecks are cleared?

I concede that some moderation in our demands and some patience would be in our own best interests, but too substantial scaling down and indefinite patience would be politically indefensible. The clamour from Pandit Nehru's opposition would grow from week to week. It would be difficult to answer convincingly and would end in an irresistible popular demand to place the orders with whatever country was able to fulfil them, rather than hold up India's economic progress—an antithesis that informed opinion might argue was open to question: but informed opinion has no chance of being heard once a situation has been allowed to develop in which popular clamour drowns all else.

I concede that it is easier for a totalitarian government, which never has any difficulty in putting ideological before economic considerations, working in a State-controlled economy, to capture a foreign market than it is for a democratic government, working with industrialists who are free agents and who are called upon to compete in a free world market. The totalitarians are unhampered by such mundane considerations as the current rate of interest (a purely arbitrary figure in a totalitarian economy). They can by executive order switch goods from internal to export markets; they have no vocal opposition, no need to consider the effects of their order on their chances of returning to office at the next general election.

Nevertheless, if the democracies are to survive, it is precisely these sorts of problems that their Boards of Trade must learn to solve.

Is it the duty of anyone in the U.K. High Commission in New Delhi to blue-print India's import requirements under the new Five-Year Plan? If not, would it not be wise to put an officer of the highest calibre on to the job? Unless, of course, the British do not mind the Czech and the Soviets spreading their plants, their technicians and their ideology in this sub-continent. Over to you, Mr. MacDonald. Or not?

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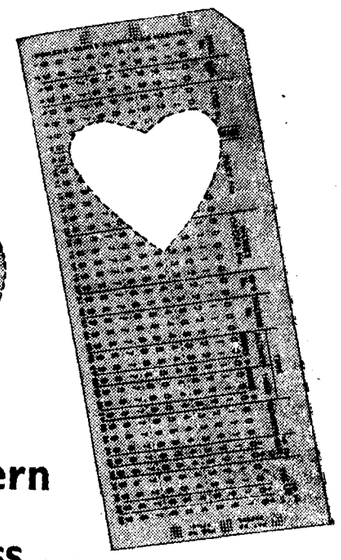
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H-31

A DELHI DIARY

DELHI BEFORE ATHENS

LET me slip gently into my usual proceedings at a modern capital neglecting or deferring the ancient glories of Athens and Rome. I have been back in India for a week and feel the unreality of ancient history not a little. The same feeling seems to have captured the Prime Minister during his discourse at the inaugural meeting of the International Union of Travel Organisations now being held in New Delhi. The Prime Minister made the point that it was the people in a country and not the ancient monuments which attracted him in his visits abroad. When he went abroad he was anxious to know two things, the background of that country and its people. Buildings, monuments and so on interested him only as part of the "background" and for purposes of understanding the people. Thus the Prime Minister has incidentally absolved me from my promise to do long pieces on the glory that was Greece and the grandeur that was Rome. The wonderful cities of Athens and Rome are not material background for understanding the present Greek and Italian people; or have I said something which can create a diplomatic incident? Let me take refuge in—Tourism!

When is a tourist not a tourist? The Prime Minister was not a little entertaining when answering this question. He asked why, although he normally toured a lot, people did not call him a tourist. I should have thought the answer was simple. A tourist is a man (or now more frequently a woman) who travels not for the purpose of solving political, economic and social problems but solely for the purpose of seeing new people and new things. A tourist in that sense is a passive animal, receiving impressions and giving, for the most part, impressions to others only unconsciously. This passive state by no means corresponds with the Prime Minister's actions either at home or abroad. I, therefore, hold with the populace that Jawaharlal Nehru is not a tourist. Happily for us, most people describing themselves as tourists are less dynamic! Otherwise tourism as an industry would have no future; it would be too disturbing to the tranquillity of countries toured!

THE MAHARASHTRIAN PLAY

I must pass quickly over travel to come to the problem which has quite suddenly seized almost every newspaper's headlines in Delhi. This is Maharashtra, a new entity which may conceivably still be unknown to a large number of my readers abroad. I believe the word 'Maharashtra' was invented many years ago and was intended to cover an area with a predominantly Marathi-speaking population. I am told, however, on the highest authority that, like every political entity, the precise area which it should cover has been in heated debate for years in select societies of Maharashtrians and, since I wish to give no offence, I propose to describe its frontiers in no greater detail. Let me, however, say there are bigger, as well as smaller, Maharashtras now to be considered. The bigger Maharashtra is called 'Samyuktha Marashtra' and—alas!—the smaller (or should I say the smallest?) Maharashtra is that described in the States Reorganisation Commission's Report as 'Vidarbha'. That seems to be a source of all the trouble—that Vidarbha is the smallest of all possible Maharashtras!

While I can readily conceive that this careful choice of the lowest common measure of the Maharashtrian demand has given offence, I am a little worried at the high pressure at which that demand has been expressed in Delhi, and the extent to which the Congress High Command has, seemingly of its own volition, gone out to meet Maharashtrian sentiments while appearing to stick fast everywhere else. Discussions have been going on ceaselessly for the last week; to say the least, these discussions, following immediately after the States Reorganisation Commission's Report was made public, have created the impression that a noisy demand anywhere can receive immediate attention and even partial acceptance. I am by no means applauding the States Reorganisation Commission's recommendations on this point which do, to my mind, leave the Maharashtrians with a grievance. The question is whether merely because there is such a grievance, it should be dealt with with the urgency which has been granted in this case. Surely the impression will be created that any grievance, provided it threatens to be sufficiently unruly, can be immediately pushed up to the top priority taking precedence over all other immediate work.

A BAD PRECEDENT

If the Congress High Command were so anxious to placate Maharashtra immediately, would it not have been wise for it to have indicated to the States Reorganisation Commission the strength of its feeling in this matter? At the present time, it looks as though, before the whole Report has been read, revised proposals on the size of Maharashtra and the status of Bombay City have been admitted by authorities who, in other capacities, will give decisions on behalf of the Government of India. It seems to me that the Government of India cannot escape the charge that it is undermining one particular recommendation of the Report at the very moment it is preaching dispassionate consideration of the Report as a whole. It is merely a nice (or not very nice) debating point to draw a distinction between the Government of India and the Congress High Command in this matter. Everyone knows that a major decision of the Congress High Command will be irresistible since the Prime Minister will be a party to it.

FLEXIBILITY IN POLITICS

Again it is not clear that the discussions have proceeded with all representatives of Maharashtra. It is known that the High Command's formula is differently viewed in different sections of the Maharashtra Pradesh Congress Committee which is to meet tomorrow at Poona. Meanwhile it would appear that Mr. Aney has put in a strong plea for the retention of Vidarbha in its present form. Maharashtrian politics is now becoming so complicated that I cannot claim to know who presents which view and why. It is obvious, however, that whether it is the States Reorganisation Commission's proposal or the High Command's "compromise formula" unanimous acceptance is unlikely. And there is still the Gujarat view. All of which makes one wonder whether this unseemly haste in anticipating Maharashtrian moves was worth while.

A large number of people in Delhi certainly got the impression, as a result of the speeches of the Prime Minister and the Home Minister, that the Government of India was committed to accept the States Reorganisation Commission's Report without a significant change. The Maharashtrian episode seems to indicate that, even at the very highest level, politics in India imposes quite a considerable restriction on inflexibility. But if the Prime Minister and the Home Minister were to be so flexible on Maharashtra, why did they make so passionate a plea for wholesale acceptance? This question is being asked. It has not yet been answered.

ARGUS.

INDUSTRIAL FINANCE CORPORATION OF INDIA,

NOTICE

Tenders are invited for the purchase of the undermentioned properties belonging to the Punjab Vanaspati & Oil Mills Ltd., situated at Aishbagh, Lucknow (U.P.), either in one lot or in different lots. The said properties are mortgaged in favour of the Industrial Finance Corporation of India and are to be sold by the latter in exercise of the powers conferred on it by Deed of Mortgage dated the 6th April, 1950, the Deed of Further Charge dated the 31st October, 1950 and by law.

PROPERTIES TO BE SOLD

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Lot No. 2. The Plant and Machinery for the manufacture of oils.

Lot No. 3. Leasehold land, factory buildings and structures.

All the envelopes containing the tenders should be superscribed 'Tender for the purchase of properties of the Punjab Vanaspati & Oil Mills Ltd.,' and sent by Registered Post addressed to the General Manager, Industrial Finance Corporation of India, so as to reach on or before the 18th November, 1955, and the receipt of the tender will be acknowledged by regular receipts. For particulars of properties, conditions of sale and inspection of properties, please apply to the Corporation.

The Corporation is not bound to accept any or the highest tender.

H. V. VENKATASUBBIAH
General Manager,

Dated the 18th October, 1955.
U. S. Hospital Building,
Keeling Road, Post Box No. 363,
NEW DELHI.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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ORLDGRAM

AGRICULTURE

Jute Cultivation in Burma: The Burmese Government's Agriculture and Rural Development Corporation has launched a drive to start jute cultivation in Burma on a co-operative basis. Cultivation of jute has already started in 14 districts, according to a publication of the Department of Trade Promotion and Commercial Intelligence. The Government plans to set up a jute mill next year capable of turning out 24 million jute bags annually. Burma spends about 52 million Nyats. (Nearly 4,000,000 sterling) every year on jute imports.

*

Zamindari Abolition in Pakistan: The East Pakistan Government will go ahead with its land reforms programme and as a major step towards the success of this programme, it will acquire all the Zamindaries by 1957 at the latest. Previously the target year was 1961. Details are now being worked out with regard to the Government Plan to complete the land acquisition by 1957. It is estimated that at least 9,000 hands will be required to run the acquired estates. It is reported the Government might requisition the services of Food and Agriculture Department employees, who had undergone necessary training in land survey.

FINANCE

Monetary Policy in Europe: The O.E.E.C. Council has approved the prolongation of the European Payments Union until mid-1956, with an increase of the percentage of gold cover for credit from 50 to 75 per cent. It also approved the text of the European Monetary Union to come into existence when E.P.U. is terminated. Rules of trade policy upon the return to convertibility were also agreed and these included unimportant amendments to the code of liberalisation. The only new element was a decision regarding the problems that might arise during a period of convertibility in the event of a member country being bound by an international agreement covering a wider territory than that of the O.E.E.C.

*

Central Aid for Khadi, Village and Silk Industries: The Government of India have sanctioned further grants and loans for the development of khadi, village and silk Industries. About Rs. 17,70,000 as loans and grants have been sanctioned for the development of village industries. The All-India Khadi and Village Industries Board has been sanctioned an expenditure of Rs. 4,34,000 for the establishment of the proposed All-India Khadi and Village Industries Research Institute at Wardha. A loan of Rs. 86,000 and a grant of Rs. 56,000 have been given to the Board for the development of the village leather industry. For the development of the gur and khandsari industry, four states —Uttar Pradesh, Bihar, Hyderabad and Madhya Pradesh—have been given loans amounting to Rs. 3,25,000. For the development of the silk industry, grants amounting to over Rs. 2 lakhs have been sanctioned to five States—Jammu and Kashmir, West Bengal, Himachal Pradesh, Madhya Bharat and Madras.

*

New Worldwide Investment Company: Worldwide private banking interests are participating in a new international investment group, to be known as the Transoceanic Development Corporation, which has been formed in Canada under the auspices of British and U.S. investment houses with a capital of $(Canadian) 10,000,000. This is the first time since the war that private banking interests have organized such a group, which will supplement the work done by the World Bank and the Commonwealth Development Finance Company. Its purpose is to acquire selected security investments in countries other than Canada and the U.S.A., and to promote, finance, and develop new enterprises. Initiative for the venture comes from London. Among the 25 participants are British, Continental, Canadian, and U.S. investment houses.

INDUSTRY

New Drug Factory in Karachi: Work has started on the construction of a new factory to produce medicines for Pakistan by a branch of a famous British Organisation. The factory which will be operated by Burroughs Welcome and Company (Pakistan) Limited is expected to be in production within 12 months. The Company will manufacture as many of the wide range of Burroughs Welcome products as are economically practicable, and will also train Pakistani technicians both in Pakistan and elsewhere in one of the other overseas factories of the Company.

*

Output of Minerals During 1954: The aggregate value of the mineral output at current prices increased to Rs. 82.97 crores in 1954 from Rs. 82.79 crores in 1953, according to provisional statistics released by the Chief Inspector of Mines in India. Among the major minerals, the output of coal, iron ore, copper ore and gold appreciably increased as compared to the preceding year, while mica and manganese ore had a severe set-back. The output of coal increased to the record figure of 36.82 million tons in 1954 from 35.98 million tons in 1953 despite the reduction in average daily employment from 341,193 in 1953 to 339,905 in 1954. The output per man-year thus increased from 105 tons in 1954.

New Sugar Refinery for Kenya: Sugar Refiners (East Africa) Ltd., a public company with a nominal capital of £300,000, is to build a sugar factory in Kenya near Mombasa. Construction is expected to start on a 10-acre site early next year. When the factory is in full production, the Company expects to refine some 150 tons of sugar daily. It will employ about 500 people, mostly Africans.

*

Setting Up of Heavy Electrical Equipment Factory in India: The Government of India have decided to enter into detailed negotiations with the Associated Electrical Industries, a British firm, in connection with the setting up of a State-owned heavy electrical equipment factory in India. In March this year, the Government decided on the recommendation of the Heavy Electrical Equipment Inquiry Committee to set up a new State-owned factory to manufacture heavy electrical equipment. The Electrical Equipment Factory is expected to manufacture hydraulic turbines and generators for diesel sets and static capacitators. The factory will also manufacture certain items of large sizes e.g., heavy transformers.

*

World's Largest "Blower": A new turbo-blower is to be installed at the Scunthorpe (Lincolnshire) works of a British Steel company at a cost of over £750,000. This will mean greater output from the Company's four blast furnaces, since the blower—described as the world's largest—will be capable of delivering 15,000 cu. ft. of air a minute to the furnaces at a pressure of 35 lb. per square inch. Other installations will be an additional open-hearth furnace costing £800,000, and an ingot stocking and loading gantry at a cost of £100,000. The furnace will produce about 120,000 tons of steel annually. The turbo-blower and the furnace are scheduled to come into operation early in 1957.

*

Iron Output in U.K.: Producing 11,160 of pig-iron one of the blast furnaces at the Scunthorpe (Lincolnshire) works of a British steel company set a new

world output record for lean iron ores. The blast furnace is Europe's largest. It is believed that this achievement by the blast furnace, working entirely on low-grade British ores averaging 20 per cent iron content, has not been equalled by larger American blast furnaces which operate on ores containing 55 per cent of iron. The previous record, set up by the same furnace earlier this year, was 9,130 tons. Still higher outputs at the firm's Scunthorpe works are envisaged when a new turbo-blower, costing over £750,000 and the largest of its kind in the world, comes into service early in 1957.

TRADE

Promoting Export of Engineering Goods: An Export Promotion Council for Engineering goods has been set up to encourage the export of a large variety of engineering products which are now available for export from India. This Council is the fourth in the series of Export Promotion Councils being set up with the assistance of the Government of India as part of the export promotion drive. The other three are of Cotton Textiles, Silk and Rayon Textiles and Plastic Goods. Among the measures which the Council is expected to adopt are the undertaking of market studies in foreign markets, the sending out of trade missions and publicity for Indian goods. It may also appoint representatives in foreign markets to collect statistics and other information regarding engineering goods in other countries, lay down standards of quality and packing for export, investigate complaints received from foreign buyers and settle commercial disputes by arbitration.

*

Foreign Trade Pattern of Finland: The pattern of Finland's foreign trade is largely influenced by her abundant forest wealth which provides important raw materials for many of her manufactured goods, particularly paper and paste board, wood pulp, timber etc. Finland's main imports are coal, coke, petroleum products, fertilisers, sugar, grains, linseed, oil cakes, cotton fabrics, etc. Exports from India to Finland consists of tea, cardamons, shellac, hides and skins, cotton and, cotton waste, coconut fibres etc. India's place in the foreign trade of Finland is negligible, but, it is reported, there are possibilities of increasing her exports in coffee, rice, linseed, oilcakes, raw tobacco, cotton fabrics etc.

*

Pakistan's Trade with Middle East: Among the Middle Eastern Countries Syria is Pakistan's biggest customer. Her main item of import from Pakistan is cotton. Next to her is Afghanistan whose main imports consist of tea. Third main buyer is Egypt who buys jute. Iraq, Iran and Turkey are the other major customers. Pakistan's main suppliers in this region are Iran, Saudi Arabia, Lebanon and Egypt. Supplies from Turkey, Syria, Muskat and Sudan are very small. The following table gives an illustration of Pakistan's trade with Middle East countries:

	Exports from Pakistan 1953-54	Imports in Pakistan 1953-54
		(In '000 Rs.)
Syria	3565	14
Egypt	1290	6528
Afghanistan	5236	14802
Iraq	887	990
Iran	842	26356
Turkey	766	1
Saudi Arabia	84	10842
Lebanon	111	6740
Bahrein	175	20835
Other countries ..	913	317
TOTAL	13869	87425

Imports of Goods in Pondicherry: A five per cent import duty concession is announced for Pondicherry ports for dutiable goods on the basis of ad valorem rates, in a "Gazette Extraordinary" issued by the Pondicherry State Government. The concessions do not however apply to goods imported under Open General Licences but only to goods which are covered by valid import control license issued by the Chief Import Controller Pondicherry. The concession will not also apply to postal articles or articles imported by air and goods imported through ports other than Pondicherry and Karaikal and subsequently removed under bond or otherwise to Pondicherry State. The Pondicherry ports will, thus enjoy a five per cent concession in import duty, as compared with other ports and the concession is designed to attract trade to the ports and bolster up the dwindling economy of the State which has been affected considerably following the State's merger.

*

Export Duty on Tea: The Government of India have issued a notification fixing the price of tea for the purpose of determining the export duty at Rs. 3|9|6 per pound with effect from October 1, 1955, as against Rs. 2|12|3 per pound in force from September 1, 1955. The export duty at this price will be as. 8 per lb. which is an increase of as. 2 per lb. as compared with the duty hitherto in force.

*

Canada's Record Foreign Trade: Canada's trade for the year based on figures for the first six months is expected to be one of the best in her history. Exports in the period amounted to $2,062.9 million, compared with $1,871.3 million in the corresponding 1954 period, or slightly lower than the record of $2,121.8 million in the January-June period of 1952. Over the same period imports have increased to $2,209.7 million from $2,050.1 million in the first half of 1954, and compared with the record of $2,216.6 million in the first half of 1953.

MISCELLANEOUS

Agricultural Labour in West India: An adult male agricultural worker in the West Indian States of Bombay, Saurashtra and Kutch is employed for 196 days in a year on an average as against the all-India average of 218 days as revealed by an enquiry conducted by the Government of India. The data collected by the Enquiry Committee relates to employment, unemployment, wages, modes of wage payment, income, expenditure and indebtedness of agricultural labourers in the zone. The average annual income of an agricultural labour family in West India was Rs. 391, Rs. 8 more than the lowest income which was in South India. As against the average annual income of Rs. 391 per agricultural family, the annual expenditure was Rs. 392, food formed the bulk accounting for as much as 83.4 per cent of the total income. Forty per cent of the agricultural labour families in West India as against 1.45 per cent in the country as a whole were in debt, the average debt per indebted family being Rs. 108 as against the All-India average of Rs. 105.

*

Five-Year Plan for Nepal: A 21-crore draft Five-Year Plan for economic, cultural and social development of Nepal has been announced. The implementation of the Plan, would be financed from Nepal's own resources, and would begin from the next financial year. The country would be divided into several "development blocks". Each block would be responsible for successful working of the Plan covering its own area. The details of the Plan would be examined by a Planning Commission, which would also determine allocations to implement schemes prepared by different Government departments.

NEWS IN BRIEF

INDIAN:

The Government of India have decided that all project personnel employed in a Community Project or National Extension Area would be retained on a permanent basis.

*

The "training within industry" scheme is also proposed to be introduced into heavy engineering industries, like steel, cable and locomotive works. The scheme aims at developing the skill of the supervisory staff at the lower and middle levels.

*

The Indian Central Sugarcane Committee has decided to film the crude as well as the improved methods of gur manufacture. Produced by the T.C.I.I. authorities in India in collaboration with the I.C.S.C., the film will present on the screen the results of research for the benefit of cane growers in India.

*

Training in tele-communication engineering will be imparted to displaced students from East Pakistan in West Bengal, Assam, Orissa, Bihar and Uttar Pradesh, wherever facilities for such training exist.

*

An area of 7,700 acres is to be acquired for the Lignite Project in the South Arcot district of Madras State. The Government of India have sanctioned Rs. 40 lakhs for the acquisition of the land which covers the entire area of 16 villages.

*

The Federation of Indian Chambers of Commerce and Industry has suggested that Airlines User's Consultative Councils, one for internal airlines and another for overseas services, similar to the National Railway Users' Council, should be set up by the Government.

*

The Government of India has asked tyre companies in India to revise the prices of rubber tyres and tubes in accordance with the formula for fair prices recommended by the Tariff Commission, with suitable adjustments to take into account the recent increase in the price of raw rubber.

*

It is reported that the Government of India is considering a proposal to set up a Re-insurance Corporation in co-operation with Indian insurance companies. To start with, the capital of the Corporation will be Rs. 3 crores, the Government contributing two-thirds and the Indian insurance companies one-third.

*

Two Indian standard specifications, one for phenol (Carbolic acid) and the other for naphthalene, have been published by the Indian Standards Institution. The standards prescribe the requirements and methods of test for both the materials.

*

The Punjab Government is examining the question of fixing the prices of food grains in the State to check any profiteering by the stockists in the wake of the situation created by floods.

*

The Government of India have requested the Tariff Commission to conduct an enquiry into and recommend fair prices of, locomotives and boilers manufactured by the Tata Locomotive and Engineering Co., Ltd. (TELCO).

FOREIGN

The South-East Asia Regio[n] [C]ommittee of the World Health Organization has [r]ecommended a sum of $1,400,000 to be spent during 19[5]7 in the region under WHO's regular budget.

*

It is reported a series of experimental flights based upon present air traffic conditions and those expected in the future was called for recently by an Air Navigation Conference meeting at headquarters of the International Civil Aviation Organization.

*

A 14-nation seminar on land tenure as an aid to economic development in the near east is being held (1-21 October) at Salahudlin in Northern Iraq, according to an announcement by the Food and Agriculture Organisation of the United Nations.

*

A group of nine hydrologic experts from four Asian countries have just finalized in Bangkok a 130-page glossary listing and defining some 1,000 terms used by water engineers, scientists and others to describe the occurrence and movement of water.

*

The United Nations last year earned a net total of some $700,000 from the sale of U.N. postage stamps and publications from guided tours of U.N. Headquarters, catering services for the staff, delegations and public; and from the U.N. gift shop.

*

A group training programme in technical services to small industries, the first of its kind under the U.N. programme of technical assistance has been opened at the Technological Institute in Copenhagen.

*

Australia has imposed a £A80 million cut in its imports, with effect from October 1. Cuts in goods from non-dollar areas involve a reduction by 12½ per per cent of category 'A' quotas, which cover broadly essential materials, and by 25 per cent of category 'B' quotas, which include the less essential and luxury goods.

*

Truck manufacturers of Montreal have proposed to offer tubeless tyres as the standard equipment on all 1956-truck models.

*

The Pakistan National Training centre jointly sponsored by the Food and Agriculture Organization and the Government of Pakistan was inaugurated on October 4. Its object is to assess the economic implications of agriculture and allied development projects and analyse other aspects of projects on scientific methods.

*

The United States, until recently a net importer of hides and skins, has become one of the world's major exporters, according to data collected by the U.S. Department of Agriculture.

*

It is reported a total of $80,563,879 collected from the sale of timber, grazing permits and other use of land in the National Forest System was deposited by the U.S. Forest Service with the U.S. Treasury during the year ended June 30, 1955.

*

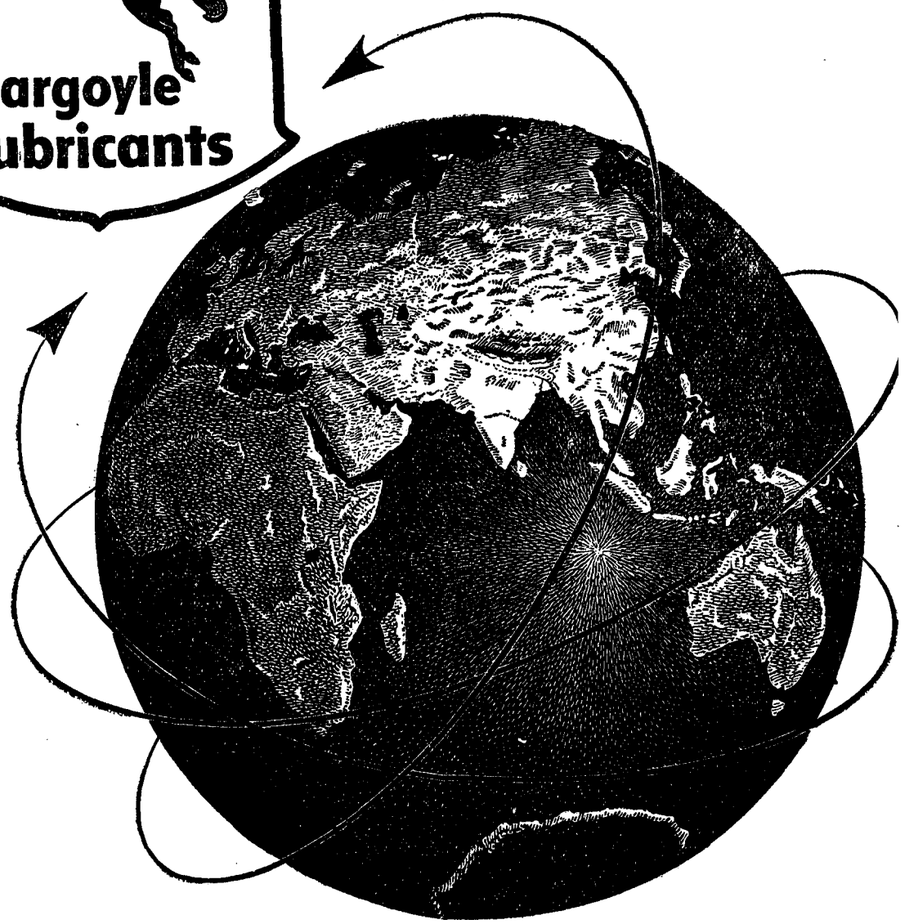
A $24,000,000 credit for Ethiopia was announced recently by the Export-Import Bank of Washington. The Fund will be for development of commercial airfields and aviation facilities in that country and purchase of passenger aircraft for use on international routes and cargo planes for runs within Ethiopia.

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In the Valley of Decision

STEEL AND SOVIET SHOW-HOW

STEEL will once again become a subject of keen interest in the next few weeks. The delegation of the British steel consortium led by Sir Cyril Jones will arrive in Delhi this week and promptly open discussions with the Ministry of Steel. The delegation is expected to discuss the terms relating to the establishment of the third steel plant at Durgapur. It is known that the British Technical Mission under the Colombo Plan had already examined some of the technological details of the proposed steel plant. The bull point in that report was the extremely favourable view believed to have been taken of the probable cost of Indian steel, in relation to the existing steel costs in the private sector in this country and to the level of existing and prospective world prices. No special kind of improved process was contemplated to produce this result; this high efficiency and low costs were expected to flow from the plant lay-out and economical preparation and use of ore and fuel. The period required for construction is a point which may need elucidation. The agreement with the German firm of Krupp-Demag had stipulated a period of four years and it is to be seen whether this can now be shortened, in view of the urgency now felt. Three years proved enough for some new plants set up in Europe under Marshall Aid, but there was no problem of technical personnel in such cases. There would, of course, be greater interest over the terms of the credit, like the rate of interest and method of repayment, on which some rumours have already been circulating.

It is perhaps unwise to anticipate the trend of these discussions and no serious difficulties may be involved, especially when Government has practically committed itself to an investment of Rs. 400 crores in the public sector on steel under the second Five-Year Plan. The agreements with the German and Russian steel-builders have already provided a basis for negotiation and bargaining. A fortunate circumstance in this connection is the return of the Indian Steel Delegation from a tour of the Soviet Union. The members have now come back greatly impressed by the advance in steel technology in the U.S.S.R. The British negotiators who will not obviously be able to claim a superior technology, may, therefore, be under a necessity to offer equally, if not more, favourable terms to the Government.

That, however, is less relevant to us just now than the fact of the Indian delegation's impressions. It may be recalled that some time ago an Indian industrialists' mission which visited the Soviet Union did not have many good things to say about the level of industrial efficiency. How far such impressions were due to a deficiency in the capacity to assess technical efficiency and how much of them were due to prejudices caused by restrictions in throwing open Soviet showpieces, in the prevailing international climate then, cannot be estimated. It is also probable that Soviet emphasis on heavy industry had involved the neglect of many consumer goods industries and the maintenance of inefficient units among them which the Indian delegation might have found easy to understand and judge. Also, as part of the cold war propaganda, there had been a tendency to underrate Soviet productive efficiency--which in course of time became accepted as more or less true.

That is why the Indian delegation's reaction may surprise many quarters. Not much has been known before about Soviet steel processes for the simple reason that details were often not available until recently. Even the Report on Advances in Steel Technology prepared by the ECE for 1954 was able to say no more than that "it appears that developments have recently been particularly pronounced" in the U.S.S.R. and Eastern Europe. Some of these advances have been only of recent date. The complete automatization of furnace-charging in the Ukraine has improved existing capacity. Last year (1954), the output of steel per square metre of open-hearth furnace in the Soviet Union was equal to the most efficient practice anywhere else in the world. For the Soviet Union as a whole, this production rate was 6.78 tons per sq. m. but "Pravda" announced in December last that a furnace at Zaporozhstal had attained a production rate of 8.15 tons per sq. m. of hearth area for a 24-hour period—which is equivalent to a rate of 340 kilogrammes an hour per square metre, a record rate.

It is, however, believed that there are some special conditions under which a single furnace, given preferential charging treatment and fired at a maximum rate compatible with the ability of the furnace to provide air to burn fuel, can show a high rate of productivity. In Western Germany, it is said that furnaces receiving preferential treatment have achieved melting rates equal to those of the U.S.S.R. even in furnaces with lower capacity. An essential difference in overall productivity will arise because of the larger number of small furnaces below 60-ton capacity in Europe and the U.S.A., while the higher rates achieved in the U.S.S.R. are recorded for furnaces in excess of 100-ton capacity. It is now accepted as inevitable in future steel expansion or rationalisation plans that larger furnaces with over 125-ton capacity should be installed, because the same number of men required to operate a furnace with half that capacity can handle the larger one with proper mechanical aids.

Official statistics show that the total output of crude steel in the Soviet Union has increased at the rate of 3 to 4 million tons each year—from 27.3 million metric tons in 1950 to 41 million metric tons in 1954, an increase of 50 per cent in five years. On the other hand, the rate in Germany and the U.K. will work out to a million tons a year only. This is quite an impressive achievement and the very recent establishment this year of the Gosteknikha (State Committee for New Technology) in the Soviet Union to help the introduction of advanced techniques shows the new interest in intensifying the application of advanced science. This example has now been followed by every East European countries. The visits of Soviet agricultural experts to the United States and of the Indian steel delegation to the U.S.S.R. also show the new interest in exchanging information on a multilateral basis.

The Soviet Union has thus shown a capacity for improving efficiency and a desire to go very far in seeking more knowledge of such efficiency. The last few years have seen many other advances in steel technology in other areas also which should not be overlooked. The efforts being made to overcome the difficulties of the nitrogen problem in the use of the Bessemer converter may, in time, extend the use of this process at the expense of the open-hearth furnace. Electric-furnace steel manufacture is expected to increase when the U.K. utilises electricity from nuclear energy for steel-making. The techniques of steel manufacture will thus advance on a wide front. The experiments in Austria on the Linz-Donawitz process—which will be relevant to our Rourkela plant—are also of great importance, because of the possibilities of very low capital cost of new units. These are points which should help to give perspective in talking about levels of technical efficiency.

LEO.

Special Articles

AGRICULTURAL PRODUCTION IN INDIA IN 1954-55

WHEN the final estimates of Indian agricultural production for 1953-54 were announced by the Ministry of Food and Agriculture at about this time last year, it was generally believed that the increase in agricultural production recorded in that year would not be equalled for a long time. It was also said by experts both in the Ministry and outside that nearly fifty per cent of the increase in agricultural yield could well be attributed to fortuitous monsoons. The latest estimates for the year 1954-55 show that this pessimism was not justified.

The table below compares the agricultural output in 1953-54 with the latest estimates for 1954-55. It will be seen that all the crops in 1954-55, except for rice, tobacco and coffee, have shown appreciable improvements over the preceding year's yields. Production of wheat established a new record at 8,539,000 tons exceeding even the target fixed for the last year of the first Five-Year Plan. Despite the fact that rice production suffered a setback because of floods and droughts in Bihar and West Bengal, the total production of cereals was 55.3 million tons as against 56.1 million tons in 1953-54. Thus the fall in yield registered in rice has been nearly compensated by the increase in the production of wheat, gram and millets.

Agricultural Production
(Thousand tons)

	1953-54	1954-55	Percentage increase (+) or decrease (—)
Rice	27,079	24,209	—10.6
Wheat	7,792	8,539	+ 9.6
Millets†	17,512	18,377	+ 4.9
Gram	4,551	5,125	+12.6
Cotton*	3,935	4,298	+ 9.2
Jute*	3,128	3,153	+ 0.8
Sesamum	531	592	+11.5
Groundnut ..	3,573	3,823	+ 7.0
Rape & mustard**	826	962	+16.5
Linseed	355	388	+ 9.3
Sugarcane ..	4,614	5,546	+20.2
Tobacco	256	238	— 7.0
Tea (Million lbs.)	608	639	+ 5.1
Coffee	29,410	25,000	—15.0

† Jowar, Bajra, Maize, Barley.
* In thousand bales.
**Estimated.

When these physical figures are inserted into "The Eastern Economist" index of Indian Agricultural Production (base: Average 1936-37 to 1938-39=100), the overall index turns out to be a new peak at 121 as against 120 in 1953-54. Although the index for food grains shows a drop of two points from 122 to 120, all the other sub-groups show significant improvements. Fibres have gone up by 8 points (mainly due to nearly 9 per cent rise in cotton output), oilseeds by 12 points and the miscellaneous group by 4 points. Sugarcane in the miscellaneous group has recorded a rise of more than 20 per cent.

The official index number of agricultural production for 1954-55 (base: 1949-50=100) calculated by the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, shows, however, a negligible decline from 114.1 in 1953-54 to 113.9 in 1954-55. The groupwise indices in the table below show that except for a fall of 7.2 points in the index of cereals all the other sub-groups record sizable improvements. It seems that this index released by the Directorate some time in August needs revision. As already stated, the total output of cereals in 1954-55 at 55.3 million tons is hardly 1.4 per cent less than that of 1953-54 and therefore the official index for cereals at 112.1, as against 119.3 in 1953-54, is an under-estimate and needs to be revised to nearly 117. The official index should, therefore, stand somewhat above the 1953-54 index, not below it.

Index Numbers of Agricultural Production

	1949-50	1953-54	1954-55
Cereals:			
Kharif	100	119.1	108.7
Rabi	100	120.4	127.7
TOTAL	100	119.3	112.1
Pulses	100	112.1	113.0
Oilseeds	100	106.7	115.1
Fibres	100	133.5	146.4
Plantation Crops	100	102.6	106.4
Miscellaneous Crops	100	97.1	112.7
All commodities	100	114.1	113.9

The broad conclusion that emerges from this discussion is that there is a marked change in the pattern of Indian agricultural production since 1952-53. The floor of Indian agriculture is steadily rising. Better irrigation facilities, distribution of quality seeds, liberal use of fertilisers and improved agricultural practices, viz., the Japanese method of agricultural production, have all helped to raise the floor of Indian agriculture, perhaps at the rate of three to three and a half per cent per year.

THE COTTON STORY (1954-55)

INDIA has to contend, year after year, with the whimsical element in Nature, namely, the monsoon, but the rains gave little trouble, if at all, as far as cotton production during the season under review was concerned. Besides, the steadily increasing acreage under cotton since 1953-54 ensured a larger production. Accordingly, cotton production was unhampered and the supply position was extremely satisfactory. Thus, the supply for the 1954-55 cotton season totalled up to the record figure of 75.85 lakh bales, which included an estimated commercial crop of 51.30 lakh bales, a carry-over from the previous season of 20.01 lakh bales and imports aggregating 4.54 lakh bales. Table I provides at a glance the statistical position of cotton for the season.

Imports of cotton into India during the season under review were the lowest for any year since the past eight years, a clear proof of the pace with which cotton production in the country has been marching towards self-sufficiency. The decline in imports of foreign cotton in this season in particular was also partly due to uncertainty in respect of the Government of India's approach to the American aid of cotton (the authorities took nearly a year since their formal announcement in December, 1954 and the final decision towards the end of September, 1955) and to the prolonged suspense too over the question of the U.S. cotton export policy with special reference to the cotton export subsidy. Moreover, for some time past, greater emphasis has been given to the production of long-staple cotton within the country. Since it was this type of cotton which was [illegible]

the need for such imports was considerably reduced. Yet another factor limiting cotton imports into India was the increased exports of coarse and medium varieties of cloth from this country and a sharp decline in those of fine and superfine, the manufacture of which entails greater utilisation of long-staple cotton.

TABLE I.

	Indian	Foreign	Total
	(In lakh bales of 400 pounds)		
Supply:			
Carry-over with mills and trade on 1-9-1954	17.43	2.58	20.01
Commercial crop—final trade estimate	51.30	..	51.30
Imports	..	4.54	4.54
Total supply	68.73	7.12	75.85
Distribution:			
Mill consumption (actual from September 1954 to June 1955)	33.99	5.39	39.38
Mill consumption estimated for July and August ..	6.80	1.08	7.88
Exports	3.28	..	3.28
	44.07	6.47	50.54
Estimated carry-over with mills and trade on 1-9-1955	24.66	0.65	25.31
Total distribution ..	68.73	7.12	75.85
	7.23	1.93	5.30

An analysis of the statistics relating to imports of foreign cotton (see Table II) reveals two significant features. In the first place, there was a distinct shift in emphasis in favour of East African cotton and, perhaps, for this very reason, a shift away from Egyptian cotton. Thus, as against only 162,237 bales of East African cotton imported in 1953-54, as much as 257,609 bales were received in 1954-55. The fall from grace of Egyptian cotton was primarily occasioned by the availability of comparable varieties of Sudan cotton at relatively cheaper rates. Apart from the favourable price factor, the increase in the quantum of imports of the latter was also facilitated by bulk agreements.

Another notable feature of the pattern of import trade in cotton was the decline in the quantum of imports of American cotton. With the previous season's damaged cotton episode still fresh in the memory of traders, it was no wonder that they were rather chary of going in for dollar cotton. Together with the uncertainties with regard to the U.S. cotton policy mentioned already it prevented Indian shippers placing any sizable orders for American cotton and reduced the quantities licensed and actual imports.

It will be seen from the table below that there is also a wide gap between the total quantity licensed and the actual arrivals of cotton from all sources. Thus, as against the total quantity of cotton licensed for import, both from the Sterling and the Dollar areas, of the order of very nearly 6½ lakh bales, only 5.29 lakh bales actually arrived in this country. It may be remembered that actual arrivals were relatively more in the previous season, although the total quantity licensed was comparatively less. This was because, in 1954-55, importers had to contend with shipping hurdles, like lack of freight space and delay in shipments due to dock labour strike, etc. These no doubt worked both ways, on the import as well as on the export side; to the latter aspect of which we shall presently refer.

TABLE II.

	Season 1954-55		Season 1953-54	
	Qnty. Licensed	Qnty. Arrived*	Qnty. Licensed	Qnty. Arrived*
Sterling Area:				
Egyptian	179,016	123,964	273,913	279,381
East African	286,623	257,609	208,010	162,237
Sudan	122,013	66,713	15,865	31,435
Others	13,753	5,382	2,590	19
TOTAL	601,405	453,668	500,378	473,072
Dollar Area: U.S. and Mexican	47,875	75,911	131,622	185,573
TOTAL	649,280	529,579	632,000	658,645

*Arrivals include quantity licensed in the previous season.

MILL CONSUMPTION

A glance at the distribution statistics shows that consumption of Indian cotton by mills during 1954-55 (from September, 1954 to June, 1955) was 39.38 lakh bales and foreign cotton 6.30 lakh bales, giving a total consumption figure of 45.68 lakh bales. Although the export quota for the season amounted to 7.81 lakh bales, the actual shipments amounted to only 3.28 lakh bales, thus accounting for a total disappearance of 48.96 lakh bales, against the total supply of 75.85 lakh bales. Thus, the carry-over for the 1955-56 seasons works out to 25.31 lakh bales, consisting of 24.66 lakh bales of Indian and 0.65 lakh bales of foreign cotton, whereas the total carry-over of cotton with the trade at the beginning of 1954-55 was only 20.01 lakh bales, out of which 17.43 lakh bales constituted Indian cotton and 2.58 lakh bales foreign. Thus, the cotton on hand with the trade at the beginning of the 1955-56 season shows an increase of 7.23 lakh bales in Indian cotton, while there has been a decrease of 1.93 lakh bales in stocks of foreign cotton, as compared to the previous season —a clear indication of the progress towards self-sufficiency.

EXPORTS

The season was also one of record exports of Indian cotton, the total quantum of exports exceeding by as much as 14,000 bales the target of three lakh bales. Although exports in general have been controlled by a quota system and are confined to those types of cotton which are surplus to domestic mill requirements, the total quantity of cotton exported overseas was almost twice that of the previous season, thanks to the Government's liberal export policy. In this connection, it may be noted that the aggregate quota released for the 1954-55 crop was as high as 7.81 lakh bales, a record in the post-Independence era. Exports would have been even greater but for some shipping hurdles (a reference to which has already been made) which were a constant source of irritation to shippers here. Several complaints were received from shipping quarters that their programme of exports had been more often upset by lack of shipping space. In many cases, when no space could be found in ships mutually agreed upon between the exporter and the importer, shippers were obliged to depend upon 'stray' vessels. This was, to say the least, a very unsatisfactory state of affairs, involving, as it did, repeated carting expenses, additional warehousing, insurance and other incidental charges. On the top of all came the dock workers' strike, extending over a month, which also contributed to the general slackness in shipments from this country.

On the whole, the Government's cotton export policy has been characterised by timely changes in

export duties, underlining its realistic approach to the problem. Notable in this regard was the decision to slash the duty on all exportable varieties of cotton from Rs. 125 to Rs. 50 per bale taken immediately following the devaluation, on 31st July, 1955, of the Pakistani rupee. Earlier in the season under reference, as far back as in November, 1954, the Government reduced the duty on non-Deshi varieties from Rs. 200 to Rs. 150 per bale and raised the duty on Bengal Deshi from Rs. 125 to Rs. 150 per bale, when it realised that, in foreign markets, the non-Deshi styles were at a disadvantage as compared to the Deshi varieties. Again, in June, 1955, with a view to stimulating exports, the authorities promptly reduced the duty on all varieties of cotton to Rs. 125 per bale. The latest instance of a change in duty is the reduction in the export duty on Zoda cotton.

In fact, even in the face of suspension of allocation of foreign exchange for import of raw cotton by some countries, there has been no slackening in the tempo of exports of Indian cotton which has prompted the Union Commerce and Industry Minister to suggest that there is every likelihood of India becoming a net exporter in 1955.

An analysis of the export of Indian cotton during the 1954-55 season as compared to the previous season reveals that there has been a striking increase in the offtake of Indian cotton by Japan, which has accounted for almost the total of the offtake of Indian cotton of all the other countries put together. As between the previous season and the 1954-55 season, the offtake of Indian cotton by the U.K. has almost trebled, while, in the case of Hong Kong, there has been an improvement from just 293 bales in 1953-54 season to 25,239 bales in the season under review. It may also be seen, from the following table, that China is a new entrant accounting for an offtake of Indian cotton of the order of 14,979 bales, as against nil in the previous season:

TABLE III.

Destination	1st September to 31st August	
	1954-55	1953-54
	(In bales of 400 lbs.)	
Japan	143,541	75,763
Continent	76,390	27,084
U.K.	46,821	16,068
Hong Kong ..	25,239	293
China	14,979	..
U.S.A.	18,960	13,300
Others	2,762	1,603
TOTAL ..	328,692	134,111

NEW CENTRAL JUTE MILLS CO., LTD.

NOTICE is hereby given that the Directors have decided to pay interim dividends free of Income-Tax at Rs. 3|8|- per Preference share and Rs. 7|8|- per Ordinary share to the shareholders as on 12th November, 1955.

By Order of the Board,
SAHU JAIN LIMITED
Managing Agents.

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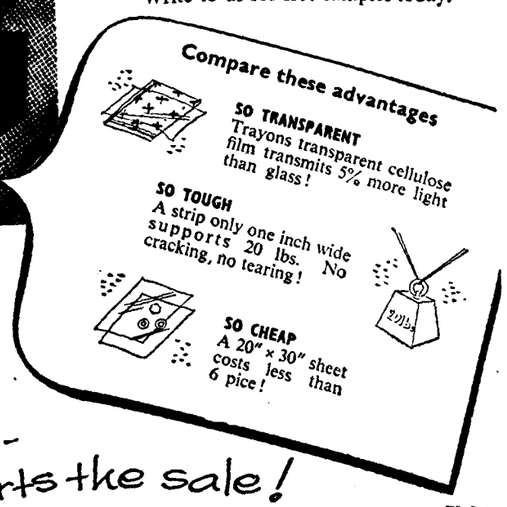
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Letters to the Editor

THE NEW FAITH: "DEATH OR DOLLAR EXCHANGE!"

Sir,

I have been waiting impatiently for you, Sir, or for one of your two obstreperous columnists, Odysseus and Croesus, to take up the pertinent questions put forward in your columns on August 19 by Professor K. V. Rao of the S. C. College, Puris, who asked: "Does tourism really pay India?" Since no one has replied up to now, I feel impelled to stir up that very controversy which the good Professor went out of his way to deprecate and I offer a few observations in hopes of provoking you, or others, to throw light on the darkness that surrounds the economics of tourism.

Professor K. V. Rao pointed out that he was not concerned with the indirect benefits of tourism, such as the promotion of international understanding (or, I would myself add, the spread of Indian culture), but was solely interested in ascertaining whether the special goods imported for tourists (of which the Professor instanced wines, cheese, and butter) and the special services supplied (of which he instanced air travel and air-conditioned railway coaches, tourist class roads and rest houses, all maintained at a loss) far outweigh the net foreign exchange earned by selling other indigenous goods or non-specialised services (such as Kashmir shawls or waiting at table). Is India, he asked, earning foreign exchange at an uneconomic cost to herself? There is an important investigation here that needs to be made and I trust that you will not continue to let the matter go by default but bestir yourself and let us have the benefit of your researches.

In the meantime I venture to join friendly issue with Professor K. V. Rao on (a) his apparent view that the non-economic advantages of foreign tourism can in practice be disregarded, and (b) his suggestion that India could make up for the foreign exchange lost if she decided not to cater for foreign tourists either "by restricting imports of luxury goods or better still (sic!) by restricting the pleasure trips abroad of Indian nationals, especially to hard currency areas".

Until someone produces the statistics, the whole subject bristles with speculative questions about which one can only profess one's belief or suspicions. I do not, for example, myself believe that the proportion of imported alcoholic drinks consumed by the tourists is likely to be large by comparison with the quantity consumed by foreign residents and Indian nationals dwelling in the cities, plus the cost (direct and indirect) of enforcing prohibition where it exists (which must obviously be debited in the same column). I also doubt whether the cessation of air-conditioned railway travel would seriously affect the numbers of foreign tourists, since I assume that most come here in the cold weather when an air-conditioned coach is a convenience against dust rather than a precaution against apoplexy.

I presume that Professor K. V. Rao envisages only the partial reduction of air services in the proportions calculated to be used by tourists, and I suggest (until someone produces the statistics to refute me) that this is likely to be an inconsiderable proportion of total services and would produce negligible savings.

The real question in the cases of both air-conditioned travel and of air services, neither of which could be run without subsidies, is: Can India afford them, not in the negligible interests of foreign tourists, but all?

If both these services are being run at a loss, is t not evidence that they do not fulfil an economic need? In which case, why should I be taxed so many annas in my hard earned rupee in order that discriminatory favour should be shown to a small minority of my fellow-citizens who wish to travel in air-conditioned coaches or aeroplanes, but who could not afford these luxuries if the real, unsubsidised, economic prices were charged?

What about motor cars? I do not own one because at the real economic prices currently charged for motors, I cannot afford to buy one. But if the air-minded can successfully insist on tax-aided travel, why should not the motor-minded be equally free to insist on tax-aided motor-ownership?

I suspect that it will be objected that the air industry is of national importance and that it is vital to India's international safety that she should have her quota of trained pilots and technicians. Apart from the harsh side-light that such an argument sheds on the faith in the reality of the policy of Neutralism and the Panchshila, I must point out that if the argument is admissible in the case of the air industry, it cannot be less admissible in the case of the motor industry. As long as tanks and army transport are propelled by internal combustion engines, we shall need men trained to handle and maintain them. Let us be logical. If the number of cars on India's roads is limited by the effective economic demand for them, why not the number of aeroplanes in India's skies?

It fills me with dismay to reflect that Professor K. V. Rao's suggestion that India should gain foreign exchange by restricting luxury imports or the pleasure-trips abroad of any Indians who have worked hard enough to be able to afford them, is not likely to arouse any adverse comment but is, on the contrary, likely to be widely approved—so far have we slipped into the habit of assuming that it is the duty of the state to decide what is good or bad for us, to decide which of Us the People of India who did solemnly resolve to secure to ourselves justice, liberty, equality, fraternity, and a number of other rights, which seem greater and greater abstractions as the Welfare years roll on, shall be allowed to go outside the national frontiers and on what grounds. The cry in the old days—only a few short years ago!—was "Death or Liberty!" Today it seems to be "Death or Foreign Exchange!" (Well, if not death, at least fine or imprisonment for breaking exchange control regulations drawn up by some anonymous official Do-gooder in some obscure recess of the New Delhi secretariat).

Have we, allegedly members of the Free World, lost our freedom to the extent that the citizens of the U.S.S.R. have lost theirs? So that anyone travelling abroad is assumed to be a spy, as the following dialogue shows—I am quoting from "The Eastern Economist" pamphlet "What Goes on in the U.S.S.R.?"—Arrested by the U.S.S.R. secret police the Frenchman, Rounault, discovered that one of the most suspicious items against him was that his passport revealed visits to Switzerland and England.

"Why did you go to Switzerland?" The secret police asked him.

"I spent my holidays there three years running."

"You're lying. One does not spend holidays in a foreign country. And what about England? Did you go there for a holiday as well? Only a spy would go abroad so often."

"But thousands of French tourists go to Switzerland and England every year," Rounault protested.

"Thousands of tourists! That's a good one! Thousands of spies, you mean."

At a time when the U.S.S.R. seems cautiously to be lowering her Iron Curtain, or at least widening its meshes, is India to erect a—what kind of a curtain would ours be?—a Jute, Cotton, Tea, or Coffee curtain?

No, Sir, if we want more foreign exchange, we must emulate the British who (as Odysseus explained on October 7) have stepped up their exports by making it easy for foreign investors to set up new export industries inside the U.K.

Socialising nations the world over are constantly faced with bottlenecks in production, inflation, and adverse trade balances because of their ever rising expenditure. Refusing to recognise that they cannot spend more than their peoples earn by their hard work and the degree of efficiency attained, they try to meet these crises by restrictions—tariffs, licences, quotas, squeezes, and freezes, and thus depress the national income, or at best slow down its rate of increase. The only final way out of these recurring crises is to allow the incentives of higher profits and incomes to evoke imagination, greater efficiency, and a rising national income.

I sign myself, conscious that in 1955 I am likely to be in a minority of one.

Yours faithfully,
Lover of Liberty

THE MACHINE TOOL SITUATION

Sir,

I have to hand a copy of your article dated the 2nd September, and am grateful for your support.

It would seem that my report has not been published in its entirety and it would also seem that some of the Government's apologists have not taken the trouble to read it thoroughly being, presumably, so upset with my unparliamentary language.

It was suggested by one of these that I was biased in favour of the Private Sector but if the same gentleman had read my report on the P.W.D. workshops at Amritsar he would have seen that I suggested that here was an ideal equipment for the manufacture of Railway Workshop Machine Tools and as this was 'not' an economic proposition for Private Enterprise it should be undertaken by the Government in the national interest.

One critic suggested that I did not spend sufficient time at Ambernath and Jalahalli to make a reliable report and in reply to that I would say that after the successful development of a large number of light engineering projects one becomes accustomed to looking for the essential requirements for successful development and fifteen minutes was sufficient to demonstrate that these were missing in both the above cases.

"There was no competent machine tool maker present in either case."

Furthermore, there was no one available with a comprehensive knowledge of the Machine Tool Industry.

With such a 'Health Robinson' set-up in both cases I consider the language I used was justifiable.

I made it quite clear in my report that the concept of a sound Machine Tool Industry for India was admirable and necessary for sound industrial development for India but 'first things first' and my main criticism regarding the two projects I have referred to is that it is a case of 'putting the cart before the horse' or in other words they were untimely.

My reasons are:

(1) Machine Tool making calls for 100 per cent skilled labour (very highly skilled) which is as yet not available in India.

(2) Commodity manufacture can be carried out successfully by 10 per cent skilled labour and projects of this nature should have been developed with the limited labour force available.

The Jay Engineering Works in Calcutta was developed with less than 10 per cent skilled labour and only special machine tools were designed and made locally.

(3) Machine Tools are a means to an end and that end is the supply of equipment to Engineering projects of all kinds.

It follows from this that all skilled engineering labour of all grades from management downwards would be absorbed by such enterprises as these.

(4) Machine Tool Manufacture is built up on the experience of supplying the requirements of commodity manufacturers and Machine Tool making stems from this experience.

In course of time and with experience of maintaining machine tools on commodity manufacture in good working order India would eventually develop a machine tool making force and a machine tool making industry automatically as has been the case in other manufacturing countries.

An unprejudiced study of my report by responsible people will show that to try to build up a Machine Tool Industry synthetically is bad policy and I trust the present policy will be changed in time to prevent serious financial trouble.

Yours faithfully,

JOS. D. SCAIFE.

LOTHIAN JUTE MILLS CO., LTD.

NOTICE is hereby given that the Directors have decided to pay interim dividends free of Income-tax at Rs. 3|8|- per Preference Share and Rs. 22|8|- per Ordinary share to the shareholders as on 11th November, 1955.

By Order of the Board,
K. D. DHANUKA
Secretary.

Dated 12th October, 1955.

The Business World

AMBITIOUS ROLE FOR THE AMBAR CHARKA?

By
CROESUS

TO the medley occasioned by the process of claims and counter-claims for a larger share of the total cloth production required by the country, by the mills and the handloom interests, Mr. V. L. Mehta, Chairman of the All-India Khadi and Village Industries Board (A.-I.K.V.I.B.) has thrown a spanner, as it were, by what he is reported to have said at a Press conference in Ahmedabad last Friday. Curiously enough, in the version of the proceedings of the Board and the press conference, as reported by the news agency concerned, there is a contradiction. Thus, whereas it has been stated that the two-day meeting of the All-India Khadi and Village Industries Board urged the Government of India and the Planning Commission to freeze the production of textile mills at 5,000 million yds., Mr. Mehta is reported to have disclosed at a press conference subsequently that the Board calculated at its meeting that at the end of the second Plan the domestic requirements of cloth would be about 7,200 million yds., out of which the textile mills could supply 4,000 million yds., powerlooms could produce 200 million yds., and the handloom industry about 1,500 million yds., leaving an additional requirement of about 1,500 million yds. This, he said, should be met by the Handloom and the Khadi Boards.

In the absence of fuller details, one can only presume that the A.-I.K.V.I.B. meeting at Ahmedabad turned down the above suggestion and preferred to retain the ceiling of production by textile mills at 5,000 million yds., as recommended by the Kanungo Committee and endorsed by the Karve Committee. If, however, this is not so and it is the intention of the A.-I.K.V.I.B. to press for a ceiling of cloth production by textile mills at 4,000 million yds. as per the calculation of the Board, the whole question would take an altogether new complexion. For, as it is, it has been admitted by the Kanungo Committee and affirmed by the Millowners' Association, Bombay, that the current annual production itself is around 5,000 million yds. Even so, one sees a disparity between the number of spindles and looms actually operative as against those installed. According to the latest figures provided by the Millowners' Association, Bombay, (September, 1955), as against a total of 11,888,165 spindles installed and 207,763 looms installed, only 10,502,832 spindles and 189,648 looms were actually operative; in other words, even without the entire installed capacity of the cotton mill industry in operation, the production has been in the region of 5,000 million yds., which means that such could be easily very much more if the industry were to work to capacity. If one takes seriously the computation of the A.-I.K.V.I. Board, therefore, the implication would be that the authorities would have to see to it that a fewer number of spindles and looms are allowed to operate than at present. To say the least, this would be quite an absurd proposition.

The A.-I.K.V.I.B. Chairman is also reported to have revealed at the same press conference in Ahmedabad that the Board had drawn up a scheme for supplying 400 million lbs. of yarn for producing about 1,500 million yds. of cloth in the decentralised section of the industry and that if that plan were accepted by the Planning Commission, it would provide employment to at least four million people. Of course, the greater part of employment is anticipated by the Board to follow the proposed introduction of Ambar Charka to provide hand-spun yarn to the handloom industry. This is still a claim and has to be established. So, to convince the Planning Commission, the Board, we are told, has drawn up an intensive and extensive pilot programme for the next five months. This programme consists of 100 work centres, each equipped with 60 sets of Ambar Charka. Four hundred instructors are proposed to be trained to conduct these centres. We are, therefore, called upon to accept without demur that the A.-I.K.V.I.B. is going to train up instructors, set up centres, and work 25 lakhs of Ambar Charkas to produce, in less than six months, the results claimed by Mr. Mehta.

In fairness to Mr. Mehta, one must perhaps wait till April to pronounce a considered verdict on the efficacy or otherwise of the Ambar Charka in the proposed scheme of things. But when Mr. Mehta goes on to argue that if the Government were to accept the Ambar Charka project it would ensure enough cloth at less cost and maximum employment in the country and, what is more, suggests to the Government not to implement the recommendations of the Kanungo Committee because, if implemented, that would cost about Rs. 36 crores and provide employment to about 56,000 people only, as against the outlay on the Ambar Charka scheme of only Rs. 16 crores to provide employment to as many as four million people, we must pause to take a deep breath.

I do not dispute that the capital investment in the organised mill industry would be considerably higher and the employment potential also relatively lower compared to what is claimed under the Ambar Charka scheme. But I would have liked Mr. Mehta to indicate also what the average earnings of each of the four million potential employees under his Ambar Charka scheme would be. The Bombay Millowners' Association has calculated that the average earnings of a textile worker in Bombay city are about Rs. 1,600 a year as against a "per capita" income in India of about Rs. 284 (in 1953-1954). If mere provision of employment on a pittance even, by way of wages, is all that the enthusiasts of the Ambar Charka and the handloom want, there can be no argument. But the authors of the draft Framework of the second Five-Year Plan postulate, it should be remembered, an increase in employment of 10 to 12 million persons and also a rise of 25 to 27 per cent in the national income of the country. It would be interesting to know from the A.-I.K.V.I.B. Chairman whether it is his Board's intention to ask the Planning Commission to drop the latter's proposal to raise the country's national income by 25 to 27 per cent as they have decided to do and be content only with the provision of employment.

Another point on which doubts arise is whether, without the necessary training, which is still being planned, and the requisite organisation which has still to be built up, the results claimed by the A.-I.K.V.I.B. would materialise by the end of the second Five-Year Plan. In this context, I consider, it is not without significance to allude to a reference which Mr. Mehta himself has made at Ahmedabad to the overlapping of programmes of the Handloom Board and the A.-I.K.V.I.B. No doubt, in course of time and after the discussions that have been started in this behalf with the authorities concerned, this overlapping would be avoided. Perhaps a bifurcation of the activities of the A.-I.K.V.I.B. into work on Khadi and that on village industries and the transfer of the former to the All-India Handloom Board may be a solution.

But all this means again further loss of time. Hence my real anxiety about the ability of the handloom sector to deliver the goods by the end of the second Five-Year Plan. In view of this, I must reiterate the warning that before the Government of India and the Planning Commission take a final decision in the matter they should go fully into this question without any mental reservations and arrive at realistic and practicable decisions. In saying this, I do not, for a moment, wish to come in the way of the progress that the handloom sector or the Ambar Charka scheme may have planned. But I do say that there is real need for a better phasing and organisation of the whole scheme if the efforts of the sponsors of the Ambar Charka in particular and the handlooms in general are to bear fruit.

CONSTRUCTION CORPORATION—A COMMENDABLE IDEA

By

CROESUS

ON the eve of the finalisation of the second Five-Year Plan, it is a happy augury that serious attention is being given to the need for a broad-based heavy construction industry in India. The proper time for considering the question was at least eight years ago, when this country embarked upon certain ambitious river valley and multi-purpose projects. But it is never too late to learn and profit by experience, and one only hopes that, with the country's experience of the past seven to eight years of irrigation, power and other public projects, there would be an objective examination of past experience with a view to drawing therefrom the right lessons for future guidance.

Any impartial examination will show that we have been seriously lagging behind the time schedule in the first Five-Year Plan in respect of all our major construction projects, namely, Bhakra-Nangal, Hirakud, and the D.V.C. The outlay on construction plant and machinery alone in respect of these projects has amounted to more than Rs. 25 crores. The country has not only lost by the delays but also by the sizable additions to the costs of these projects as originally estimated. One cannot explain away the whole of the addition to the costs to the steep rise in prices generally and to the increase in construction costs in particular, as has been assumed by some. According to informed quarters, much of the disparity between the eventual costs and the original estimates stems from the fact that there was under-estimation of costs, probably due to inadequate advance processing of projects, as also to lack of adequate experience in preparing cost estimates on modern dams and hydro-electric stations. Of course, the delay in the execution of the projects also has added to the overheads and interest charges, the incidence of which, it may be noted, is particularly heavy in construction industries.

The subject under reference first attracted public interest when the Fifth Report of the Estimates Committee recommended the creation of a semi-autonomous organisation by statute of Parliament having well-defined functions and powers and charged with the responsibility of constructing the projects entrusted to it on the basis of approved plans and estimates. As was only to be expected, the Third Engineers' Seminar, held at Kashmir in July last, discussed this question fully and may be said to have lent its support broadly to the Estimates Committee's proposal. It may not be known to many that the Engineers' Seminar at Kashmir had a sort of a valuable data paper prepared by Dr. Sudhir Sen, who brings to bear on this subject his personal experience with the D.V.C., with which he was intimately connected for a number of years. In his paper, Dr. Sen has examined not only the need for a broad-based heavy construction industry in this country, which does not exist at present, but also pleads for the establishment of a construction corporation; only his plea is for an autonomous corporation, as against a semi-autonomous organisation urged by the Estimates Committee. Since it is understood that the proposal to set up a National Construction Corporation has also been blessed by the Co-ordination Board of Ministers of Irrigation and Power, a somewhat detailed reference to Dr. Sen's Note, especially in regard to the structure and composition of such a corporation, may not be out of place at this juncture.

One need not pause to labour much on establishing the case for a construction corporation, especially when the volume of work involved is so considerable as it is scheduled to be under the draft second Five-Year Plan. For, in the first place, this would be clearly beyond mere departmental work, with which Government has experimented much too long and at great cost to the public exchequer without commensurate benefit; secondly, in the absence of work of such dimensions in the past, there are very few private construction firms as such which could be entrusted with the execution of all the projects under the Plan. To quote Dr. Sen: "To launch a Rs. 5600-crore Plan with the emphasis overwhelmingly on basic industries, multi-purpose dams, and power projects, but without a vigorous modern construction industry is as good as planning to go to war without a well-trained and well-equipped standing army". In these circumstances and, more particularly, by reason of the urgency, some agency must be found which could tackle the problem, and the answer, of course, is construction corporation.

One may not agree wholesale with all the prescriptions in this behalf offered by Dr. Sen, as, for example, when he suggests two corporations—both Government-sponsored—one a mixed enterprise, that is consisting of both Government and private enterprise, and the second a cent-per-cent State-owned enterprise. With the experience of parallel ownership of industries, at least I for one would not vote for two such corporations, but would favour, on the other hand, the setting up of one corporation with two branches or even four branches for each region, East, West, North, and South.

Without, however, going into details, or, for that matter, into the apparent benefits of a corporation to tackle the problem ahead of the country, I must refer to some of the very pertinent suggestions made by Dr. Sen in connection with the establishment of such a corporation. In the first place, he wants this corporation to be autonomous "not only on paper but in reality". He is right in holding that it must be given the same freedom of operation as a private construction firm enjoys in the matter of recruitment, promotion, or dismissal of personnel, fixing scales of pay and wages or giving bonuses, selection, purchase and employment of machinery, sub-contracting and, in short, all matters of day-to-day administration. The second condition that he lays down, in my opinion, is even more important. He says that these corporations should enjoy

immunity from the usual parliamentary criticism and, what is more, direct or indirect political pressure which can easily undermine the quality of management. He is not, however, averse, to the Parliament discussing the general policy or calling for detailed annual reports. But he is very keen that Parliamentary discussions should be confined to such general policy and only to the time of presentation of the annual reports on the table of the House. Dr. Sen also lays much store by the composition of the Board. "The utmost possible care should be taken to appoint the right kind of Board", he says. "Here lies the real key to the success of an enterprise like this, in fact of any public corporation".

Again, while not minimising the importance of the advice of a financial expert, Dr. Sen is strongly opposed to the dichotomy of responsibility as between the General Manager or Managing Director and the Financial Adviser which, he says, is so common to departmental administration but would be fatal to the proper working of a corporation. Another condition of his, with which no one would disagree, is that any such corporation should have a substantial paid-up capital to begin with, say, Rs. 5 crores, with, of course, powers to borrow. It is only natural that the learned doctor should insist on these corporations being worked in a strictly commercial way as in the case of private companies. I also endorse wholesale his view that "it is essential to avoid" the orthodox Government audit which mostly specialises in elaborate 'post-omrterms', petty fault-finding, and meticulous observation of set rules, rather than in saving money to the public".

A small point, but at the same time very important, is Dr. Sen's suggestion that part of the initial capital might consist of construction plant and machinery available from the existing projects. Considering that more than Rs. 25 crores is estimated to have been invested on such machinery on the major works, as already mentioned, there could be quite a lot of such machinery available. But, as he says—and this is very important, indeed—their residual value should be very carefully assessed by independent experts at current market prices, so that the corporations might not be saddled with second-hand equipment at inflated values.

To conclude, let me quote Dr. Sen, again: "To achieve the best and quickest results, we have to launch a three-pronged attack on the river valley projects with their emphasis on an integrated development of resources which holds the key to our economic development—engineering, construction, and development fronts. Up till now, the second prong, that is construction, has by and large been missing. This had a crippling effect on our strategy, for our engineers and the administrators had to withdraw largely from their own and concentrate their effort on the construction front. The results are known to us all. The overall progress has inevitably suffered and our vast investments already made in these projects are not yielding sufficiently quick benefits, certainly not on anything like the scale that the country was intended to expect. We have moved far too long in a vicious circle: not enough construction firms, therefore, departmental construction; and departmental construction, therefore, not enough construction firms. It is high time to break this circle and to open up a vigorous construction front with entirely independent forces. Placed as we are today, we can best do so by establishing construction corporations".

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BUSINESS NOTES

COAL INDUSTRY IN THE PLAN

THE INDUSTRIAL development of India contemplated in the second Five-Year Plan will call for, as one of the essential conditions for its success, a considerable increase in the output of coal. Against the present annual production of 37 million tons, it has been estimated that by 1960, the country will need to raise about 60 million tons of coal. Will it be possible for the industry to produce this additional 23 million tons? Giving a positive answer to this query, the chairman of the Bengal Coal Company, Mr. G. A. S. Sim, has pointed out that all that private enterprise needs to produce the bulk of this additional output is "some reasonable security of tenure", which will induce long-term plans of investment. This request for security of tenure is justified not only by the length of time it takes to develop virgin coal properties but also by the apprehensions which have been present in the industry as a result of the continued threat of nationalisation by the Government. The apprehensions have lately been aggravated by the Fourth Amendment to the Constitution, which specifically referred to the extinguishment or modification of the rights to work minerals, and which rendered it necessary, in the event of State acquisition, to pay full compensation as previously understood.

If the Government carefully assesses the financial resources which it will have to divert to coal and the cost of production of coal—which is higher in the existing State collieries—it will find little justification for nationalisation of the mines now in the hands of private enterprise. The successful achievement of the Plan in relation to coal could be insured only by the existence of a healthy, vigorous and expanding private sector working in close co-operation with the State-run collieries. The Chairman of Bengal Coal Company has also laid due stress on the availability of more and more wagons to move coal from the pitheads. In fact, the success of the coal plan will be conditioned by the ability of the country's transport system to meet the rapidly growing needs of the coal industry.

THE DYESTUFFS INDUSTRY IN RUMANIA

THERE HAVE been important developments in the dyestuffs industry in Rumania. This industry was set up and developed only in recent years to cover home needs in the first place. But in the period of the first Five-Year Plan and especially from 1954 onwards the output of this industry made available substantial quantities for export, which have also entered in trade agreements and exchanges concluded or carried on with a great number of countries. In 1954-55 dyestuffs made in the Rumanian People's Republic were exported to the Chinese People's Republic, Egypt, Lebanon, Syria, Turkey, the People's Republic of Bulgaria, the Hungarian People's Republic, the Federal People's Republic of Yugoslavia, etc. Rumania now offers for export high quality dyestuffs for cotton, wool, real and artificial silk, leather, etc.

The dyestuffs industry of Rumania is fitted out with modern equipment; the technical characteristics of its products correspond to the international forms of quality of similar dyestuffs. Each consignment of dyestuffs exported undergoes a minute quality control, carried out according to modern methods by laboratories especially equipped for this purpose.

Rumania offers a fairly wide range of dyestuffs suitable for various purposes; any quantity of the under-mentioned manufactures is supplied:

1. Direct dyestuffs: Stilben yellow, chrysophenine, brilliant yellow, direct orange, Congo red, direct red 4A, direct red M, direct red A, direct Mauve R, direct blue 2B, direct blue FF, direct green A, dark green A, direct brown M, diamincatechim R, direct brown 3G, fast direct brown R, direct black R, direct black A, diazotable direct black, direct black L. 2. Sulphur dyestuffs: Sulphur dark blue, sulphur brown D. 3. Acid dyestuffs: Tetrazine orange II, bright acid orange ponceau 2B, crystall ponceau 6B, acid red 2B, acid red A-V, acid bordeaux A, sulphon acid blue A, acid black ATT. 4. Chromatable dyestuffs: Chromatable acid yellow, chromatable acid orange, chromatable acid blue. 5. Basic dyestuffs: Vezuvine, malahite green, methyl mauve.

The possibilities of supply are great for all groups, and especially for the following dyestuffs: direct black R, chrysophenine, diazotable direct black, orange II, acid black ATT and acid blue. Orders for shipments suitable for wagon loading are preferred in respect of all qualities. The usual packing consists of drums made of corrugated, painted sheet iron, hermetically closed with lids and sealed. Upon request, however, the dyestuffs can be packed in units of various sizes as required.

The chemical industry of the Rumanian People's Republic also produces for export a number of intermediary materials, such as technical aniline and crystallized toluylendiamine. Aniline is an intermediary product of great importance for the plastic masses industry, for dyeing with aniline black as well as for the rubber and pharmaceutical industries, and for other industrial sectors. Imports and exports of chemical products are handled by the foreign trade State enterprise "Chimimport".

COTTON SURPLUS PROBLEM PERSISTS

CONSUMPTION TREND of world cotton for the 1954-55 season has not been such as to conduce to an earlier solution of the cotton surplus problem. Writing on the subject, the International Cotton Advisory Committee, Washington, observes that, "at the moment, there appears little reason to expect any immediate acceleration of the upward trend in cotton consumption to offset the tendency towards increased cotton production". In other words, the problem of the cotton surplus may persist for several years yet, unless some positive action is forthcoming jointly from cotton producers and consumers.

Among the major cotton-producing countries in the world, the U.S.A., the U.K., Canada, Japan and Italy showed a general decline in cotton consumption, while India has been, perhaps, the only country to show a distinct upward trend in consumption at 39.39 lakh bales in 1954-55, as against 38.10 lakh bales in 1953-54. In the case of the U.K. and Italy, the dual problem of declining textile exports and increasing imports accounted for a sharp decline in cotton consumption. In Italy, cotton consumption in 1954-55 has been at its lowest level in the post-war period.

The decline in cotton consumption in Japan may appear rather surprising, inasmuch as Japan is known to have recorded a phenomenal increase in her textile exports to the U.S.A., particularly after the recent admission of Japan as a full member of the General Agreement on Tariffs and Trade. Thus, during the first six months of 1955, Japan's exports of cotton textiles to the U.S. multiplied by four to five times. But then the aggregate exports of cotton textiles from Japan for the first six months of 1955 were only 498 million sq. yds., as against 629 million sq. yds. for the same period last year. Again, Japan's textile export prospects have been affected by the reduced offtake of Indonesia and the steep decline in the former's textile trade with Pakistan. This apart, her production of rayon staple, nylon and vinylon are at an all-time high. Hence the decline in Japan's cotton consumption.

Need To Increase Consumption

In the case of Canada, although there was an increase in cotton consumption by 50,000 bales or some 16 per cent compared to the previous season, this increase has been construed only as a return to more normal operations following the very low level of consumption in 1953-54. In the same way, the increase of over a quarter of a million bales in the U.S.A. for the whole season 1954-55 was nothing compared to the phenomenal increase in production, despite acreage restrictions.

In the light of the above, cotton-producing countries in the world should take immediate steps to accelerate the pace of consumption of cotton in order that they might, at least to that extent, lessen the impact of the cotton surplus problem that bids fair to be a perennial source of headache. True, cotton consumption may expand in the long run, aided, of course, by the growth in population and incomes and promotion efforts, but the projected rate of increase currently contemplated is certainly not sufficient to offset the expansionary tendencies in cotton production and, pending the implementation of some positive steps jointly by the world cotton producers and consumers, it seems, the Damocles' sword of surplus cotton cannot be dislodged.

BULLION FUTURES TO BE RESUMED

ALL IS now set for the Bombay Bullion Board to resume forward trading in bullion which had remained from early July last. Details of the bullion stalemate, it may be remembered, were dealt with at length in these columns (September 2, 1955). As readers may recall, the stalemate was occasioned by the alleged concerning of the entire floating stocks of silver in the country by a single operator. The Board's amendments to the existing by-laws have been virtually accepted by the Bombay Government, albeit on certain conditions. Evidently as these stipulations are aimed at avoiding disturbance at the end of a contract, these have evoked no protests from trade quarters and, in all probability, forward trading in bullion will restart on the Dusserah day.

According to the revised terms, fresh transactions in any contract will cease seven days before its scheduled expiry. In respect of auction of ready goods, it has been stipulated that the prices realised should not exceed the highest level touched during the currency of the contract. The auction wll be continued only until goods are available, or for seven days, whichever is earlier; thereafter, the Board will report to Government apprising the latter of the prevailing conditions of the market and leave it to Government to take the necessary action. Although the penalty for the failure to tender spot metal or accept its delivery has been left untouched, provision has been made for sellers to pay only half the penalty if the 'chitthi' rate is higher than the starting rate in a particular delivery. The same concession is extended to buyers in case the 'chitthi' rate is lower than the starting rate.

Inasmuch as the changes suggested by the Bombay Government are of a minor technical nature—in any case the Forward Markets Commission is scheduled to regulate trading in bullion before the middle of next year—and insofar as it guaranteed a resumption of futures trading in bullion, the market inclined to view these changes bullishly. This is also reflected in the marked increase in bullion prices, particularly in silver. Silver ready, which quoted Rs. 167 on Saturday (15th October), shot up to Rs. 170 on Monday, while gold ready moved up from Rs. 94-4 to Rs. 95. The sharper rise in silver is partly also due to the marked rise in silver prices in New York and London.

TARGET PRACTICE

WE HAVE in India the curious phenomenon of the Planning Commission fixing unduly ambitious targets for certain industries and of the eventual achievement actually lagging very much behind these targets. The output of aluminium in this country, for instance, is still below 7,000 tons, as against the target of 12,000 tons with an installed capacity of 20,000 tons, fixed under the first Five-Year Plan. And now Prof. Mahalanobis has, fixed a new and even more ambitious target of 40,000 tons in his Framework of the second Five-Years' Draft Plan. This is asking for an increase of the order of 500 per cent, compared with a rise of only about 100 per cent attained in the first Plan period. It is surprising that, despite the statistical base of the rate of increase in the previous years which Prof. Mahalanobis had before him, he should thus have indulged in such an optimistic projection of increase as goes so much beyond the normal order of natural progression. Even the argument that, because of the scarcity of copper supplies, India must substitute aluminium, wherever possible, does not justify a rise of this dimension.

Aluminium's Dual Role

If one were to study the history of industrial progress during the past half a century, one would find that the two important industries that have contributed substantially to the economic development of a number of nations are hydro-electric power and aluminium. It is well known that the development of hydro-electric power is, to a great extent, dependent on copper. Unfortnuately, copper is not only costly but also in short supply, and its gradual replacement by aluminium for electrical equipment has become necessary, if progress is not to be retarded. So aluminium becomes important not only by itself but also in association with the electrical development plans of this country.

Claim For Tax Holiday

All these are accepted as being axiomatic. But no amount of statistics can produce an output miracle, however will-intentioned and enthusiastic our physical planners may be. As Mr. K. C. Mahindra, Chairman of the Indian Aluminium Company, said, the other day, "confidence in the business sector has to be regenerated in Delhi", if the best results are to follow, whatever be the industry. As far as the aluminium industry goes, it is still in a nascent stage. If the Government were to accept the proposal of the Taxation Enquiry Commission to give a tax holiday for six years for certain industries and the aluminium industry is included as one of these, it would, perhaps, provide the requisite encouragements for further expansion of the metal's production in this industry.

Government actions and decrees should give the maximum push to such a development, and, in this task, the Government must remember, industrialists also have an important, nay, leading part to play. But what do we see instead?—the sorry spectacle of Government planners being more anxious to import foreign experts than to consult those engaged in the industry in the country itself. This only serves to underline the need for a closer liaison between the Government and the industry than what prevails today. In the present atmosphere, the mere appointment of advisory or consultative bodies will not make up fully for the honest, true-to-fact recitals of arguments, for or against certain policies and procedures, which only the leaders in the private sector are capable of voicing without mental reservations.

Company Meeting

BENGAL COAL COMPANY, LIMITED

Chairman's Speech at the General Meeting held on 13th October, 1955.

Gentlemen,

You have already seen the Accounts for the half year ended 30th April, 1955. They seem to me to speak for themselves, but if you have any questions to ask, I shall be happy to answer them.

Your Board are glad to have been able to recommend an increase in the dividend. Some of you may feel that the dividend should have been higher in that, with the threat of nationalisation of the coal industry, there is little purpose in maintaining the reserves of the Company. Your Board are not unconcerned about the imponderables of Government's policy—and I will refer to these later—but they have faith that there is an important place for your Company in the future and if, as is our intention, we are to contribute substantially to the increased production of coal, your Company's reserves will be fully employed.

I would remind you that the dividend is Rs. 17/8 for the half year on each share of Rs. 200 nominal value. This is at the rate of 17½ per cent per annum on the nominal value of the share. The share is however a share in the whole undertaking of the Company which has been built up during more than a century and the real return of the dividend is in relation to the latter, and not to the nominal value of the capital. Calculated on the capital employed in the Company, the dividend represents a return of less than 5¼ per cent per annum, a very small return for a coal company working a wasting asset.

From time to time, those who disapprove of private enterprise, refer to companies like yours as if they were owned by a few rich individuals whose rapacious pockets are constantly filled by profits produced by the reckless exploitation of minerals belonging to the State. I would like to give you a few figures which may paint a different picture.

There are 1,578 Ordinary Shareholders in this Company, holding an average of 31½ shares each. Of these, 891—over 56 per cent—hold ten shares or less. Their annual income from the Company does not exceed Rs. 350 per annum. Another 289—or 18 per cent—hold more than ten but less than twenty shares. Of the 75 shareholders who own over 100 shares in the Company 32 are Institutions or Joint Stock Companies who are themselves owned by numerous individual shareholders. So there is no concentration of wealth here.

We have already seen that the yield on the capital employed is very low, but I would remind you that whereas the Ordinary Dividend requires Rs. 8,75,000, the provision for taxation for the half year amounts to Rs. 15,00,000. So the pockets of the State are being well lined.

As for "Reckless Exploitation", I need hardly tell you that your Company does not indulge in bad mining practice—but the Mines Department of Government itself is responsible for seeing that all coal companies work their collieries in a safe and proper manner.

Raisings during the half year totalled 13,27,000 tons. This is again a record output. It has always been your Company's policy to keep in line with India's growing requirements of coal and, in pursuance of that policy, the Company laid, soon after the last War, the foundations of far-reaching development plans which included the sinking of Chinakuri and Girimint collieries—names with which you are familiar. Development still goes on, and in the four years ended 30th April, 1955, the Company spent no less than Rs. 1,23,00,000 on Capital Account. While India's output of coal has increased by 33 per cent since 1939, your Company's output has risen by 70 per cent.

Amid this general increase in production a setback was experienced in April this year at Parbelia where, owing to an outbreak of fire in the underground workings, the pit had to be temporarily closed. The mine galleries have been carefully explored and, as a result of information gathered from initial investigations, plans have been drawn up for the re-opening of the colliery. In order to ensure the safety of those working underground as well as of the property itself, however, this work will have to be done with great skill and care and will therefore take some time.

This question of production has assumed a new sense of urgency and significance in the context of the second Five-Year Plan. The industrial development of the country contemplated in the plan will call for, as one of the essential conditions for its success, a vast increase in the output of coal. Against the present annual production of 37 million tons, it has been estimated that by 1960 the country will need to raise about 60 million tons of coal. Increasing the production of an entire industry by over 60 per cent of its total current output is a task of formidable dimensions, which can only be achieved by the most strenuous efforts of all concerned. How best to plan for the attainment of the coal target has been the subject of considerable thought in Government and industrial circles during the past few months. At present, out of the total annual production of 37 million tons private enterprise raises 34 million tons and Government owned collieries 3 million tons. The additional production required is so large that, not only is there ample scope for development in both private and public sectors, but it is essential for the two sectors to work together in a spirit of mutual understanding and confidence.

In the general structure of the Indian economy it is recognised that private enterprise has an important role, and it has been said that there should be no nationalisation of any existing industry for the sake of

nationalisation. Yet in relation to the coal industry there appear to be, in certain circles, pre-conceived prejudices which cause private enterprise to be looked upon as a vague embodiment of evil which has to be fought and destroyed. Should this view prevail with Government it is obvious that with its enormous resources and with so many powerful weapons in its armoury, it would be an easy task to demolish the present structure of the coal industry. This might lead to a sense of self-satisfaction in some quarters, but the ultimate result of any industrial policy will be judged, not by the negative test of destruction, but by the positive one of what has been successfully achieved.

Government has already been assured by the private sector of the industry that it is in a position to produce the bulk of the additional 23 million tons required, and that for this purpose it is eager to mobilise all its resources. In response to a query as to what facilities were required to achieve this increase, Government was informed that to embark on such a gigantic task, which naturally called for long-term plans of investment, some reasonable security of tenure should be given. This request for security of tenure is fully justified by the length of time it takes to develop virgin coal properties, and by the apprehensions which have been present in the coal industry for some years now. The industrial policy statement of 1948 envisaged the possibility of the coal industry being acquired by the State in the future, although it was stated that for a period of ten years nothing would be done to alter the industry's structure. As 1958 approached doubts naturally arose as to the shape which Government policy might take in future. These doubts were increased by the Fourth Amendment to the Constitution, which specifically referred to the extinguishment or modification of the rights to work minerals, and which rendered it unnecessary in the event of State acquisition to pay full compensation as previously understood. In view of this it is not unnatural or unreasonable that the private sector, while expressing its eagerness to play its full part in the development of the country, should feel that it should be given some sense of security, for a sense of impending decay must necessarily sap all initiative and enthusiasm with bacterial thoroughness.

In the context of the great increase in coal production which must be achieved within a very limited period of time, it is manifest that destroying the structure of an industry which has been built up over many years must necessarily make the task all the harder. I hope that, before a definite policy is formulated, due consideration and weight will be given to all the relevant factors. It is necessary, for instance, to assess carefully the financial resources which would have to be diverted by Government to coal, when the same resources could be released for the country's other essential needs if the private sector were allowed to participate freely in the development of the coal industry. The cost of producing coal is another factor which should not be overlooked. The working results of the State Collieries have shown that their cost of production is higher than that of most other collieries, and the majority of the State Collieries are running at a loss. While I believe that the existing selling prices of coal are unrealistic in relation to present day costs, if the cost of State produced coal is higher than that of coal produced in the private sector, any extension of State production will mean that either higher selling prices of coal will have to be fixed than would be necessary if the bulk of the industry continued under private management, or Government will have to subsidise its own production. Neither of these courses would materially assist Government finances or the development of Indian industry. If, on the other hand, Government decides that private enterprise still has a useful role to play in the coal industry, then private enterprise should be encouraged to function with vigour instead of having its stability undermined at every opportunity. In some quarters a policy is advocated whereby all collieries not run by the State would be frozen to more or less their present dimensions, while the public sector alone would see any significant expansion. Such a policy in an industry which has to work a wasting asset would be tantamount to the progressive elimination of the private sector. A healthy, vigorous and expanding private sector working in close co-operation and harmony with the State-run collieries, can undoubtedly ensure the successful achievement of the Plan.

The existence of new and expanding collieries outside Government's direct sphere of operation would not mean that Government would be precluded from having adequate control over them. There is nothing for instance to prevent Government from taking steps to ensure—as in fact that now do—that at all collieries mining operations are carried out in the most scientific manner, and that all possible precautions are taken to ensure the safety of those engaged in the industry. No one objects to any reasonable measure which Government may take in furtherance of aims such as these. To achieve these results, however, it is not necessary to strangle private enterprise. There is in private enterprise a vast potential which can, with a little encouragement, be mobilised behind the Government in the great task of developing this great country. It would be folly to waste this.

The direct connection which availability of transport has with the level of production in the coal industry is a subject to which Chairmen of this Company have been drawing attention for over 100 years. Nevertheless I make no apology for emphasising that the success of the Coal Plan and, in fact, the second Five-Year Plan as a whole, will be largely conditioned by the ability of the country's transport system to shoulder the very heavy responsibilities which will be placed upon it. I believe that the Railways are conscious of this, and are engaged in drawing up comprehensive schemes to meet the situation. The early finalisation of these schemes, and above all their implementation with the utmost possible speed, are essential if the growing demand for coal throughout India is to be met. The Railways at present are hardly able to cope with the current level of production, and every year we witness the spectacle of mounting stocks at the pitheads in the months preceding the monsoon. This year the loading of wagons in the Bengal and Bihar fields has on average been better than in the two preceding years; the average daily loadings during the period January-June, 1955, having been 3,175 wagons against 3,103 and 3,020 in the corresponding periods of 1953 and 1954. The monsoon months, however, traditionally bring with them a falling off in general traffic, with a corresponding increase in the number of wagons offering for the coal industry. In this respect the current year has proved to be most disappointing. During the months of July and August this year the daily average number of wagons offered by the Railways for allotment was 3,183 and 3,443 respectively as against 3,367 and 4,131 for the same months last year. This is a disturbing feature of which serious note has to be taken for it is a danger signal warning us of a trend which, if not checked in time, may set in train the familiar chain of events leading ultimately to increased stockpiles at the pitheads and resultant difficulties in production.

There is another aspect of railway transport to which attention should be drawn. Experience has

shown that State collieries are given preferential supplies of wagons at the expense of collieries not operated by Government. If the public sector is to expand at a rapid rate and transport capacity continues to lag behind, there is a danger that such wagons as are available will be directed primarily towards the State operated mines, to the neglect of the others, thereby interfering with the expansion plans of the latter. In the interest of the coal industry as a whole, wagons should be allcoated between the two sectors on a fair and equitable basis and not on the basis of discriminating in favour of one at the expense of the other.

In the interest of safety, as well as of the best method of working a mine, stowing is recognised as playing a most important role. As I reminded you last year, we first began sandstowing in the Dishergarh Seam in 1916 and, in the years that have followed, the practice has been widely extended at your Company's collieries. The Damodar Valley Project which will undoubtedly bring great benefit to the country has, however, created an incidental problem causing concern to all those who are engaged in mining near the Damodar and its tributaries.

It is expected that the Maithon Dam will be completed in 1956 while the Pachet Dam will be ready in the following year. Thereafter all sand carried down by the Damodar and the Barakar rivers from their upper reaches will be deposited above the dams. The sand supplies below the dams will no longer be replenished each year, and so less and less sand will be available there. Since our sand getting sites are situated below the dams the position is causing us some anxiety. Owing to the annual replacement of sand during the moonsoon, it has been possible to limit sand gathering to relatively short distances from the edge of the Demodar, and because the water level of the river falls appreciably during the dry season, a substantial proportion of our sand requirements can be obtained by hand loading. After the completion of the dams, however, the water level will be higher and so will reduce the areas of river bed available for hand loading of sand. As there will be little or no replacement of sand in future it will be necessary to recover sand from greater depths below water level and from greater distances. This will entail the provision of more powerful sand pumps than those now in use and of extensive transport arrangements for the haulage of sand. Thus not only will the cost of sand getting be appreciably increased, but the loss of replacement sand will mean a steady depletion of the existing supplies leading to ultimate exhaustion which in some areas may come about in a few years' time.

The problem of stowing in relation to the dams in the Damodar Valley is one which requires careful examination, and I am glad that Government has recently set up a committee to go into the matter in detail.

There have been no serious disputes at any of your Company's collieries during the last twelve months. In the meantime proceedings still continue before the All-India Industrial Tribunal, which was constituted last year to review the wage structure in the coal industry as a whole. Your Company is represented at these proceedings by the Indian Mining Association and it may interest you to know that the Association has been able to secure the services of Mr. L. J. Barraclough as its adviser during the pendency of the tribunal proceedings. I think all of you present here today remember the long and distinguished career which Mr. Barraclough has as the Chief Mining Engineer of your Company, and we are glad that his vast experience and knowledge of conditions in the Indian mines is now available to the Indian Mining Association.

We have continued our long tradition in this Company of providing amenities for our labour, the outstanding example of which is the Sanctoria Hospital. Long before the extension of hospital facilities in the coalfields under the auspices of the Coal Mines Welfare Fund, our hospital at Sanctoria set a standard for medical attention to labour which compares favourably with any similar institution in the country. It is a 150-bed Hospital, although it frequently has to look after patients in excess of this number. Staffed by highly qualified personnel the measure of its utility can be gauged by the reputation it enjoys throughout the Raneegunge and Jharia fields.

Among other problems of health Tuberculosis has a special importance in this part of India and we are doing our share in the efforts being made to combat it. Your Company is closely associated with the Asansol Tuberculosis Association and is represented on its committee of management. We have also given assistance to the T.B. Hospital and Clinic near Kulti. It is encouraging that the Company's employees themselves are fully conscious of the necessity of every possible help being given to fight this scourge, and an appreciable sum of money has been collected and made available for this purpose from the Dishergarh Group alone. Some of this money has been earmarked for a hostel to be built near our Seetalpur Isolation Hospital for the accommodation of patients who are undergoing treatment but cannot gain admission to a regular hospital.

In the sphere of education the Company runs thirteen primary schools at its collieries including a special school for Santhal children near Sodepore 9 and 10 pits colliery. We also provide generous financial assistance to the Boys' High School and Girls' Junior High School at Sanctoria.

As regards technical education, our technical school at Sanctoria continues to do very useful work. During the half year under review we had 28 mining apprentices and 59 electrical and mechanical apprentices undergoing training. The school was also responsible for training 40 lamp cabin workers and for running a course of instructions in first aid for colliery workers.

Sports have always been encouraged by the Company and numerous programmes were organised throughout the last twelve months at our own collieries, while labour from our collieries also took part in sports organised under the joint auspices of the Coal Mines Welfare Organisation and the Industry. The increasing number of men participating in these sports, as well as their enthusiasm, shows that these gatherings are becoming increasingly popular with our labour forces.

An open air cinema at Sodepore 9 and 10 pits provides weekly shows to labour whilst the Company regularly assists the staging at its collieries of traditional theatrical shows with which is entwined so much of India's popular folk lore.

The satisfactory results for the half year under review are in no small measure due to the untiring efforts of your Chief Mininig Engineer, Mr. Rosser, and to all those who work under him. Their achievements can be seen in the very high degree of efficiency with which all your establishments in the coalfields are operated, and I am sure you will join me in congratulating Mr. Rosser and his staff on their excellent work.

COMPANY AFFAIRS

HOOGHLY DOCKING & ENGINEERING CO., LTD.

The Audited Accounts of the Company for the year ended December 31, 1954, show that after charging all expenses, including Depreciation, and writing off Rs. 4,500 as bad debts, the profit for the year amounted to .. .. Rs. 1,81,646
To which has been added the balance brought forward from the previous year of .. .. „ 50,771

Making a total of .. .. .. „ 2,32,417
Out of this sum there has been provided for taxation .. .. „ 5,000

Leaving a balance available for disposal of Rs. 2,27,417

The Directors recommend this balance to be disposed of as follows:
In payment of a Dividend of 12½ per cent free of tax absorbing .. .. Rs. 1,56,250
Transfer to Dividend Equalisation Reserve „ 25,000
Transfer to Dividend Equalisation Reserve „ 46,167
And Carrying Forward the balance of .. „ 46,167

.. Rs. 2,27,417

The value of work billed during the year amounted to Rs. 48,87,244 against Rs. 70,50,738 in the previous year. The decline in the volume of ship repair work felt in 1953 continued throughout 1954, which has been reflected in the decreased gross profits for the year. But, since then, conditions have improved and there has been an increase in the volume of repair work being undertaken. From being engaged almost entirely in repair work the company is now being entrusted with increasing volume of new constructions. This has been reflected in the progressive increase in the value of work-in-progress which has advanced from Rs. 34,18,438 on December 31, 1951, to Rs. 99,36,469 on December 31, 1954.

The new shipyard is expected to be in full production by the end of 1955, which would greatly facilitate the work on new constructions and would enable the company to undertake a large volume of work.

THE KHATAU MAKANJI SPINNING & WEAVING CO., LTD.

The Annual Report and Audited Balance Sheet and Profit and Loss Account of the Company for the year ended June 30, 1955, show a profit of .. Rs. 30,90,576
Carried forward balance from last account .. .. „ 23,212

Making available the total of .. .. Rs. 31,13,788

The Directors have made allocations from this amount as under:

Building Depreciation	Rs.	50,000	
Machinery Depreciation (including Rs. 5,70,000|- Development Rebate)	„	18,20,000	
Provision for Taxation	„	5,00,000	Rs. 23,70,000
Leaving a balance of			Rs. 7,43,788
to the credit of Profit and Loss Account.			
The Directors have recommended that the amount be distributed as under:			
Dividend on 4 per cent Preference Shares @ Rs. 4|-, free of income-tax, per share for the current year			„ 1,19,700
Dividend on Ordinary Shares @ Rs. 10|-, free of income-tax, per share for the current year			„ 5,98,500
Leaving a balance of			„ 25,588
to be carried forward to the next year			
			Rs. 7,43,788

During the year under report, orders have been placed for new machinery to the approximate value of Rs. 42,82,822.

Extra payments relating to previous years have been made to the workers for Dearfood Allowance and to clerks for overtime and increased dearfood allowances, amounting in all to Rs. 5,16,183 during the accounting year. Provision has been made for Bonus relating to previous years.

TIRRIHANNAH CO., LTD.

The working of the Company for the year ended December 31, 1954, resulted in a profit, before providing for depreciation, of Rs. 6,88,711

To which must be added:			
Adjustments	Rs.	3,814	
E.P.T. Post-war Refund	„	2,345	
Profit on Sale of Machinery	„	1,998	
Balance of profit brought forward from 1953	„	5,908	„ 14,065
Making a total of			Rs. 7,02,776
From which must be deducted:			
Provision for Taxation	Rs.	2,33,830	
Unserviceable stores written off	„	1,714	
Depreciation on fixed assets	„	44,208	„ 2,79,752
Leaving a balance at credit of Profit and Loss Account of			Rs. 4,23,024
Which, it is proposed should be dealt with as follows:			
Transfer to General Reserve			Rs. 1,50,000
Transfer to Buildings and Machinery Reserve			„ 1,50,000
In payment of a Dividend at the rate of 10 per cent for the year under review on 10,000 Cumulative Preference Shares of Rs. 10 each, absorbing			„ 10,000
In payment of a Dividend at the rate of 40 per cent for the year on 22,000 Ordinary Shares of Rs. 10 each			„ 88,000
Carry forward			„ 25,024
TOTAL			Rs. 4,23,024

The saleable crop weighed out at 7,116 maunds against an estimate of 7,000 maunds, and was disposed of at an average price of 42.20 annas per lb. The estimate for season 1955 provides for a saleable crop of 7,300 maunds at a total revenue expenditure of Rs. 6,79,874.

UPPER JUMNA VALLEY ELECTRICITY SUPPLY CO., LTD.

The Audited Accounts of the Company for the half-year ended March 31, 1955, show that after complying with the provisions of the Electricity (Supply) Act, 1948, and making adequate provisions for liabilities, and setting aside Rs. 20,000 to development and extensions account, there remains a balance of Rs. 62,584, including Rs. 14,125 brought forward from the previous half-year, available for distribution as under:

Payment of a Dividend @ 10 per cent per annum free of income-tax for the half-year	Rs.	24,875
An additional payment of -|2|- per share free of income-tax	„	6,219
	Rs.	31,094
Carrying forward to next half-year	„	31,490
TOTAL	Rs.	62,584

COMMODITY NEWS AND NOTES

EXTENSION OF CANE CULTIVATION

The U.P. State's cane department has prepared a blue-print to increase the intensive sugar-cane area around the sugar factories from the existing three lakh acres to 11 lakh acres under the second Five-Year Plan. It is also proposed to extend development activities in non-reserved areas. This extension of cane cultivation is in pursuance of the Centre's directive to the State to produce 400 lakh tons of cane, that is, 52 per cent of the all-India target of 770 lakh tons of cane under the second Plan. During the 1954-55 season, the State produced 280 lakh tons of cane. Thus, there is need to produce 120 lakh tons of cane more by 1960-61 in the State. The total expenditure on cane development envisaged by the State cane department is Rs. 6,06,43,000.

FIRST ESTIMATE OF TUR (ARHAR)

The all-India first estimate of tur (arhar), 1955-56, puts the current year's area at 5,365,000 acres as against the adjusted estimate of 5,536,000 acres for last year. This shows a decrease of 171,000 acres or 3.1 per cent in area during the current year as compared to last year. The decrease in area has occurred mainly in Bihar, Madhya Pradesh, Uttar Pradesh and Vindhaya Pradesh due to unfavourable weather conditions at the time of sowing. The estimate covers the period up to the end of August 1955. Till then, the condition of the crop was reported to be generally satisfactory.

Despite the removal of discrimination against dollar imports, this was still considerably in excess of the £50 million a year gold guarantee.

U.S. COTTON CROP

According to the latest forcast issued by the U.S. Department of Agriculture, the year's crop at the beginning of October was estimated at 13,928,000 bales, which compared with an estimate of 12,873,000 bales a month ago and the first forecast of the season of 12,728,000 bales. Last year's production was finally estimated at 13,679,000 bales. The condition of the crop at 82 per cent was one per cent higher than in September, while the yield improved from the previous high record of 374 lbs per acre to 405 lbs. So far the quantity of the crop ginned is 4,815,000 bales. This compares with 5,691,000 bales at the corresponding date last year.

The traders generally were anticipating the forecast would be in the region of 14 million bales. This, however, is a further blow to the theorists in the American Department of Agriculture, who believed that by curtailing acreage by legislation the crop would automatically be reduced. Although the area under cultivation in July was estimated at 3 million acres below last season, the crop itself may well be 1.5 million bales larger. The new surplus will be added to the existing accumulation of supplies of raw cotton held by the U.S. Government, and will further intensify the uncertainty which persists throughout the cotton world.

As to what action will eventually be taken to reduce these excessive steps: at the moment trade in manufactured cotton goods is extremely slow, because buyers are disinclined to co-operate while the future trend of price is so obscure.

MEASURES FOR FOOD GRAIN STORAGE

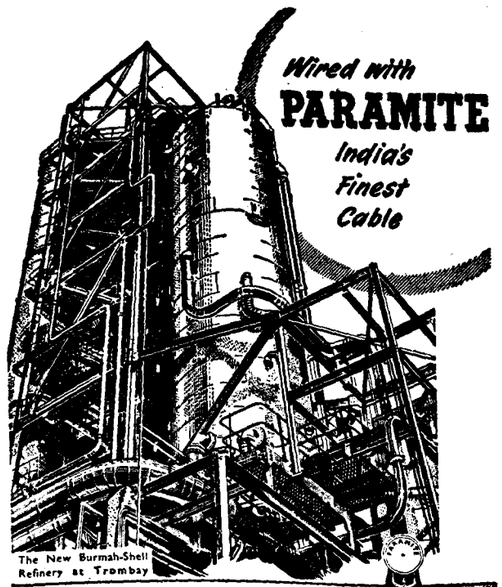
The importance of proper storage of food grains as part of the drive for self-sufficiency in food was emphasised by Shri K. R. Sontakay, Director of Storage and Inspection, Ministry of Food and Agriculture, Government of India, in a broadcast in Hindi from the Delhi station of All India Radio recently. The most effective method of preventing the food grains from rat damage, said Sri Sontakay, was to mix zinc phosphite with grains and place it near the rat holes. The other method was to close all the rat holes with cement mixed with small pieces of glass. Yet another method was to introduce a poison known as 'Cynogas' by means of a table spoon in a rat hole and close it with mud. This poison in contact with moisture gives out hydrocyanic acid gas which destroys the rats.

FALL IN MADHYA BHARAT COTTON ACREAGE

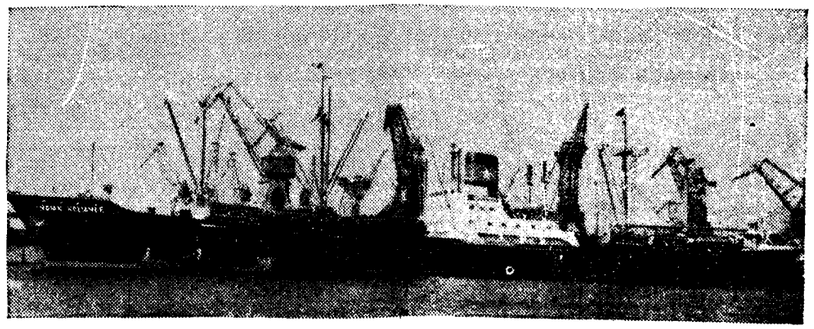
There has been a fall of 36,000 acres in the area of cotton cultivation in Madhya Bharat in 1955-56, according to the first official estimate of the crop released by the State Government. While the area under cotton cultivation in the State in 1954-55 was 1,533,000 in the current year it was estimated at 1,497,000 acres.

SOUTH AFRICAN GOLD SALES IN LONDON

Mr. Louw, Minister of Finance, S. Africa revealed that South Africa intends to maintain the level of its gold reserve at around £75 million and to sell the balance of its gold production on the free London market for sterling which can be used to finance import requirements, including imports from the dollar area. Total sales of gold in the London market for the period January to August, 1955, the Minister said, amounted to approximately £106 million; of which about £48 million was paid to the United Kingdom in reimbursement for dollar payments made for the Union's account. Gold retained by Britain for settlement of the Union's balance of payments with the sterling and the non-dollar world thus amounted to about £58 million for the eight-month period.



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The Manager,
THE HINDUSTAN TIMES,
NEW DELHI.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	318.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February „ e ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March „ e ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April „ e ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May „ e ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June „ e ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July „ e ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August „ e ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September „ e ..	313.0	396.1	324.4	368.8	556.1	353.4	90.9	100.7	87.2	122.8
Week Ending										
27-8-1955 ..	318.5	404.3*	325.1	370.6	562.4	357.2	90.9	100.7	87.7	124.4
3-9-1955 ..	318.2*	393.1*	325.5	368.6	561.8	354.7*	90.9	100.7	87.5	123.9
10-9-1955 ..	315.2	392.8	322.9*	368.7	554.2	353.2*	90.8	100.7	87.3	122.5
17-9-1955 ..	312.0	401.0	324.4	369.3	563.3	353.7	90.8	100.7	87.0	122.3
24-9-1955 ..	306.5	397.5	324.8	368.6	554.9	351.0	90.9	100.7	87.1	122.2
1-10-1955 ..	308.3	396.2	324.9	369.9	560 2	352.1	90.9	100.7	87.3	122.3

†Economic Adviser's Series. e Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
							Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	131
1950	298	313	257	132	349	434	372	153	325	165	145	131
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	144
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 October	346	363	236	141	336	404	369	134	338	145	143	13
November	344	361	235	139	325	387	370	135	337	146	139	13
December	341	352	227	135	321	369	370	128	337	144	135	13
1955 January	335	358	217	132	324	372	370	126	333	141	136	13
February	329	345	210	128	310	384	361	126	326	137	135	13
March	328	340	207	127	310	377	360	129	321	133	133	13
April	324	340	205	126	311	352	353	130	314	129	129	12
May	320	336	204	122	315	335	351	128	307	131	129	12
June	317	333	211	123	317	347	358	131	311	131	129	13
July	324	340	224	129	325	371	—	—	—	—	130	—
August	—	—	—	134	329	375	—	—	—	—	—	—
September	—	—	—	—	—	373	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	15-10-1955			8-10-1955			1-10-1955			24-9-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	94-12	93-10	94- 6	95- 0	94- 2	94-10	96- 0	95- 0	95- 6	95-10	94-14	95
Silver (per 100 fine tolas)	168- 4	166- 8	167- 9	170- 0	167-12	168-12	170- 4	166- 6	169- 1	166-12	166- 0	166

WORLD PETROLEUM PRODUCTION AND REFINING CAPACITY

World Oil Production (Including Natural Gasoline) By Countries and Areas

(Thousand metric tons)

Country and Area	1953	1954 (Estimate)
North America		
U.S.A.	343,610	340,000
Canada	10,950	12,500
	354,560	352,500
Latin America		
Venezuela	92,600	97,800
Mexico	10,220	12,000
Colombia	5,740	6,000
Argentina	3,990	4,400
Trinidad	3,220	3,400
Peru	2,250	2,300
Others	780	1,000
	118,800	126,900
Middle East		
Saudi Arabia	41,380	46,700
Kuwait	43,300	47,700
Iraq	28,180	30,600
Qatar	4,060	4,800
Persia*	1,000	3,000
Egypt	2,400	2,000
Bahrain	1,500	1,500
Others	210	1,000†
	122,030	137,300
Far East		
Indonesia	10,160	10,500
British Borneo	4,950	4,900
Others	1,230	1,600
	16,340	17,000
Western Europe		
Western Germany	2,200	2,700
Netherlands	820	900
Others	720	800
	3,740	4,400
U.S.S.R. and Eastern Europe¶	62,130	71,600
WORLD TOTAL	677,600	709,700

* Before oil dispute, production in Persia reached a peak of 32,300,000 tons in 1950. Output is scheduled to reach nearly 15,000,000 tons in 1955.

† Includes production in North Africa.

¶ Best available estimates. Principal source of production is the U.S.S.R., which accounted for some 84 per cent of the total output in the area in both 1953 and 1954.

Source: Petroleum Information Bureau.

Regional Shares in World Oil* Production (Percentages)

	1950	1953	1954
North America	53.1	51.2	48.6
Middle East	16.4	18.0	19.4
Latin America	19.3	17.9	18.5
U.S.S.R. and Eastern Europe	8.4	9.7	10.3
Other	2.8	3.2	3.2
TOTAL	100.0	100.0	100.0

* Crude petroleum, shale oil and natural gasoline.

World Oil Production (Including Natural Gasoline) (Thousand metric tons)

Year	Output	Year	Output
1865	370	1945	367,830
1870	786	1946	390,751
1875	1,365	1947	432,210
1880	4,104	1948	489,450
1885	5,057	1949	485,790
1890	10,263	1950	539,600
1895	14,069	1951	609,300
1900	19,857	1952	640,400
1905	29,472	1953	678,000
1910	44,932	1954	710,000*
1915	59,556		
1920	96,910		
1925	148,370		
1930	196,475		
1935	226,800		
1940	294,800		

* Estimate. **Source:** Petroleum Information Bureau

Proved World Reserves at 31st December, 1954 (Thousand million metric tons

Country and Area	Quantity	Percentage of World Total
U.S.A.	4.1	18.4
Venezuela	1.6	7.0
Canada	0.4	1.8
Other W. Hemisphere	0.5	2.2
Total Western Hemisphere	6.6	29.4
Persia	2.1	9.5
Iraq	2.0	9.0
Saudi Arabia	5.1	22.9
Kuwait	4.3	19.1
Qatar	0.2	.9
Other Middle East	0.1	.4
Total Middle East	13.9	61.9
U.S.S.R. and Eastern Europe	1.5	6.6
Far East and Australia	0.4	1.7
Europe and North Africa	0.1	.5
GRAND TOTAL	22.5	100.0

Source: U.S. "Oil and Gas Journal" 27-12-54.

Annual per Capita Consumption of Petroleum Products in 1953 (Excluding ocean bunkers)

	Litres
United States	2,800
Canada	1,770
Sweden	880
Australia	690
New Zealand	650
Norway	600
United Kingdom	510
Argentine, Paraguay and Chile	440
Belgium—Luxembourg	410
Switzerland	360
France	360
Netherlands	350
Union of South Africa (including South-West Africa)	210
Egypt and Sudan	130
Japan	90
Philippine Islands	85
Ceylon	55
Indonesia	23
India and Pakistan	14

Source: Petroleum Information Bure

WORLD PETROLEUM PRODUCTION AND REFINING CAPACITY (Continued)

Refining Capacity in Different Countries (at end—1954)

Country	Number of Operating Refineries	Thousand Metric Tons per Day* Crude oil Capacity	Cracking Thermal	Capacity Catalytic
Aden	1	17.0	—	1.7
Argentina	16	27.0	9.3	—
Australia	7	21.0	0.7	4.9
Bahrain	1	27.0	5.0	3.0
Belgium	7	14.0	3.9	2.0
Bolivia	4	1.8	—	—
Brazil	9	15.0	4.2	2.8
Burma	1	0.4	—	—
Canada	39	84.0	26.0	27.0
Chile	1	2.9	1.9	—
Colombia	3	5.6	2.4	2.2
Cuba	3	1.1	0.3	—
Denmark	3	0.1	—	—
Ecuador	2	0.8	—	—
Egypt	2	7.0	0.9	—
Formosa	1	2.1	0.3	—
France	13	70.0	11.0	7.0
French Morocco	1	0.3	—	—
W. Germany	25	37.0	5.2	8.3
India	2	4.8	0.8	0.7
Indonesia	5	31.0	8.5	—
British Borneo	1	6.8	—	—
Iraq	5	6.7	2.4	—
Israel	1	12.0	6.2	—
Italy	32	65.0	8.2	4.7
Japan	16	21.0	1.3	0.5
Kuwait	1	4.3	—	—
Lebanon	2	2.5	—	—
Mexico	8	35.0	4.6	—
Netherlands	2	34.0	6.5	4.7
Netherlands West Indies	2	91.0	56.0	6.3
Norway	1	0.3	—	—
Pakistan	1	0.6	—	—
Persia	2	72.0	11.0	3.6
Peru	3	6.8	2.2	—
Portugal	1	3.6	—	1.4
Qatar	1	0.1	—	—
Saudi Arabia	1	27.0	3.4	—
South Africa	1	2.5	0.3	0.9
Spain (incl. Canary Islands)	3	12.0	1.7	—
Sweden	3	5.01	1.1	—
Switzerland	1	0.6	0.1	—
Trinidad	3	16.0	5.0	2.1
Turkey	1	1.0	—	—
U.K.	14	88.0	5.5	17.0
U.S.A.	330	1,205.0	367.0	404.0
Uruguay	1	4.0	0.3	1.0
U.S.S.R. and Eastern Europe	90	212.0	49.0	7.1
Venezuela	14	75.0	12.0	—
WORLD	687	2,381.0	625.0	509.0

* Original figures in barrels converted into metric tons at rate of 7 barrels=1 metric ton.

Source: Petroleum Information Bureau.

World Tanker Fleet, 31st December, 1954
(Thousand deadweight tons)

Flag	Tonnage Available Total	Percentage of World Total	Tonnage Under Construction
British Commonwealth	8,132	20.3	2,062
U.S.A.	6,996(a)	17.5	151
Norwegian	6,253	15.6	2,448
Liberian	3,514	8.8	(b)
Panamanian	3,422	8.6	255
Italian	1,792	4.5	274
French	1,765	4.4	367
Swedish	1,482	3.7	251
Dutch	1,162	2.9	501
Japanese	1,100	2.8	18
Other Flags	4,373	10.9	1,711
TOTAL	39,991	100.0	8,037

(a) Ecluding U.S. Reserve Fleet.
(b) Included in 'Other Flags'.

Source: Lloyd's List.

Regional Consumption of Petroleum Products in 1953

North America	57.1%
Western Europe	10.9%
U.S.S.R.—Eastern Europe and China	9.5%
Latin America	6.7%
Asia outside the Middle East	3.2%
Middle East	1.5%
Africa	1.2%
Oceania	1%
Air and Ocean Bunkers	4.7%
TOTAL	100.0%

Wlorld Utilization of Petroleum Products in 1953

	Million metrics tons
Houseold	100
Transport	
Air	20
Roads	180
Railways and inland waterways, etc.	40
Ocean	50
tric power and gas	20
Industry and other	110
TOTAL	520

Estimated World* Consumption of Petroleum Fuels in 1953

	Million metric tons	% of total
Aviation spirit	11	2
Motor spirit	174	33
Kerosene and jet fuel	31	6
Distillate fuel oils	115	22
Residual fuel oil	184	35
Liquified petroleum gas	11	2
TOTAL	526	100

* Excluding the USSR, Eastern Europe and China.

Source: UN Monthly Bulletin of Statistics, March 1955.

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The State of Indian Agriculture

THE figures published in a Special Article in the issue of 'The Eastern Economist' dated October 21 have a significance out of all proportion to their mere arithmetical meaning. On the face of it, agricultural production for the year 1954-55 was either just equal or a little above that for 1953-54. One may be, therefore, tempted to assume that the year 1954-55 was not the 'annus mirabiles' that 1953-54 was. In point of fact, as will be apparent in a very short while, 1954-55, agriculturally speaking, was a much more remarkable year. It attained a rate of production slightly above 1953-54, although, by common consent the rains were by no means as good. There is here a confirmation of a thesis the full significance of which has been lost by the Planning Commission and has not been appreciated in the plan-frame; the thesis is central to an assessment of the performance of Indian agriculture.

Quite simply this thesis is that without any Herculean effort the floor of Indian agriculture

has been rising at a rate between 3 and 3½ per cent since 1952. It is important to recognise that, while minor irrigation has contributed something to this result, the major multi-purpose projects on which so much investment has taken place in the first Five-Year Plan have not yet commenced to deliver. By and large, the increase in production whilst partly due to favourable rains is more plainly (since 1954-55 has shown better results than 1953-54) due to a sharp rise in the floor as well as to an accidental rise in the ceiling. When account is taken of the capacity of the multi-purpose projects to deliver in the second Five-Year Plan, there is ground for believing that a rate of rise of 4 per cent in agriculture such as was stipulated in the plan-frame is the minimum rate which in the short period can be achieved. It is not an appropriate target for a bolder and better agricultural plan. The income targets of the plan-frame in percentage terms run below current performance in agriculture as well as in industry.

The argument that the floor of Indian agriculture has risen by over 3 per cent per year in the last few years can be presented in many ways. For this purpose a very long period study is not relevant. A long cycle which may be fifteen years containing three short cycles would be sufficient to provide a norm for fluctuations due to the monsoons. If the period 1936 to 1952 is taken as a cycle including the three short-period cycles of five years each, one may conclude, on the basis of "The Eastern Economist" Index of Agricultural Production that the fluctuation between the best and worst years of a cycle of fifteen years is about 12 per cent. If the last short-period cycle of five years, that is, 1948-49 to 1954-55 is then taken, and a discount of 12 per cent for monsoon variations made, there is a net rise of about 15 per cent in five years as a residue. This might be interpreted as an average rise of a floor of 3 per cent per year. Seeing that until 1952-53 the rise was of a significantly lower order, one might claim that the floor must have risen after 1952 at an appreciably higher rate, possibly over 4 per cent. Another way of presenting a similar argument would be to place 1954-55 in its appropriate seasonal bracket against 1953-54. If we assume that the year 1954-55 stands midway between a normal year and the miraculous year 1953-54, this would imply that, other things being equal, production in 1954-55 would have run about 3 per cent below that of 1953-54. In point of fact it has run 1 per cent above 1953-54. In other words, the floor between 1953-54 and 1954-55 was rising at about 4 per cent per year.

A third method of estimating movements in the floor of Indian agriculture is a detailed evaluation of the dynamic elements which have gone into Indian agriculture in recent years. First there is the Japanese method of rice cultivation which in certain official quarters is assumed in the year 1954-55 to have contributed 900,000 tons of additional rice over an area of 1.2 million acres. Similarly, there is an estimate of the character of output following on additional fertilizers. Here one might assume an increase of output of possibly 1 million tons, though this is not available on food-crops alone. It might be mentioned that recent estimates of the character of chemical fertilizer increases in Indian agriculture suggest that, over the long period, say the next twentyfive years, fertilizers might be the most dynamic component of increased output. In one estimate of expected increases by 1980, fertilizers will provide half of the increase and irrigation and all other improvements the other half between them. There is, moreover, indication that at the rate at which the use of fertilizers is now rising, the floor of Indian agriculture will rise at a higher rate than it has done in the last three years. Again, if account is taken of minor irrigation works and the enhanced investment which is going into private well construction, one might conceivably assume that increments of output from wells will over the next few years run at 50 per cent above their current contribution. All the dynamic components taken together would appear to have already contributed 60 per cent to current output, a figure which obtains independent verification by the ratio of 15: 12 which has already been suggested as the figure of the non-monsoon and monsoon components in a short cycle of five years.

The remarkable consistency of these various estimates of the monsoon and non-monsoon factors suggests that there is strong evidence for the theory which has been first presented in 'The Eastern Economist' that Indian agriculture after 1952 has struck out on an entirely new path. It is not only that the floor which has over many decades been rising at a rate of less than 1 per cent has suddenly moved up between 3 and 3½ per cent. The point is also that the rate of growth is being accelerated. The floor of Indian agriculture cannot under ordinary circumstances in the next five years rise at a rate of less than 4 per cent per annum.

The full significance of this discovery cannot be described without relation to the financial effects on the economy as a result of increased agricultural production. Both the public and private non-agricultural sectors are deeply in debt to Indian agriculture. But for the fact that Indian food grain and cotton production has risen in this spectacular manner we might conceivably have had a powerful inflation which no financial remedies might have contained. It is the stability of agricultural prices, in spite of heavy doses of public investment and rising private expenditure, which has been the sheet-anchor of the Indian economy in the last three years. Both monetary policy and the volume of public expenditure have been buttressed by agricultural output. It is a fair conclusion to draw from existing evidence that it will be rising agricultural output in the second Five-Year Plan which will prevent runaway inflation when investment is maintained at a level of over Rs. 5,000 crores. Agricultural production, not the rate of saving, turns out to be our best defence.

There is urgent need of a study of the anti-inflationary character of Indian agriculture at this time. It is hoped in Special Articles in 'The Eastern Economist' to indicate that the shortage of monetary savings (which is real) may be offset completely by an abundance of physical production in agriculture. It would be good if those strange theorists who can think of defence only in terms of increased taxation—a Central Minister has recently been hard at it in Ahmedabad—would take some time off to think how a doubling of India's rate of investment in the last five years has been accompanied by deflation and not inflation. Much of the answer is to be found in the behaviour of agricultural production.

The British Emergency Budget

THE Emergency Budget introduced this week by the British Chancellor, Mr. R. A. Butler, has brought into British politics a sharp division which had been absent for a long time. It may be that the issues involved seen from outside the United Kingdom do not warrant the fierce attack that has been unloosed by Mr. Gaitskell or the passionate controversy which has been aroused in the newspapers on certain specific proposals in the budget. The reduction of housing subsidies may seem a denial of the Welfare State, but, if it is, it is in the same class as many retreats which have already been made by the Labour Party itself when it put in a charge for prescriptions in the Health Services. Looked at from outside the United Kingdom this looks like a minor battle on the exact position of the frontier and not a major issue involving a fundamental change in the expansion of welfare through State expenditure. Similarly, the return of some of the purchase taxes is not a retreat from Mr. Butler's "incentive" philosophy. It is a minor modification to correct what is proved to have been excessive generosity; marginal reverses can never be excluded in any forward move.

While thus the British emergency budget changes seem still to be of the second order of smalls, they obviously provide too large a political opportunity to be lost as a doughty stick with which to beat the British Chancellor. Even if the March budget had not preceded the General Election—and had, therefore. the character of a vote-catching device—Mr. Butler would have been under fire. It is not necessary even to argue that he was right in March and is now mistaken, or the other way round. It would be enough, as in the law of perjury, to indicate that one or other of his decisions must be wrong. It will be remembered that Indian Penal Code requires for proving a charge of perjury not an indication of which of two conflicting statements is true. It is enough to show that the statements conflict with each other, and, therefore, one or other must be false. In much the same sense the introduction of two, and in part conflicting, budgets in the same year must produce the impression that Mr. Butler has on one of the two occasions made a mistake.

For those who are anxious to receive a more positive statement, one might hazard the opinion that the error was in March this year. The British economy has a quite limited range for the application of the "incentive" philosophy. In the first place, there is "brimful" employment, that is, a wholly unhealthy situation in the labour market. Labour can only be attracted into new ventures by a rise in wages, and by implication some deterioration in existing ventures. In other words, the capacity to manoeuvre in the British economy is limited largely to "quality" improvements and to increases in productivity. A "Profits Incentive" budget under these circumstances cannot produce the same effects it could in a country where there are substantial unemployed resources. It is very easy to overstate the virtues of freedom in an economy where resources are already highly strained; in Britain they are overstrained already particularly when account is taken of the high correlation between prosperity and imports there.

Britain is faced with a vigorous domestic expansion out-stripping the present available resources, a situation which demands a policy combining incentive with restraint—incentive to secure maximum expansion at home, and restraint to enable the country to combine such expansion with external solvency. Thus, when, last February, the first signs of serious strain appeared, the Bank Rate was raised to 4½ per cent and a moderate restriction reimposed on hire-purchase transactions. By the time of the April Budget the first effects of these measures could be seen in the better gold reserves and exchange rates, and Mr. Butler felt able to give some incentive through reductions in income-tax after holding back one-half of the prospective surplus in reserve. Contrary to views widely held at that time, the Chancellor's forecast of the development of production proved right, and so far, this year, industrial output has been running between five and six per cent above the corresponding period of last year, thus maintaining the rate of expansion achieved in the last two or three years. Thus the incentive has worked satisfactorily; but the restraint, in the form of credit restriction, has taken effect more slowly than was expected. This is not, perhaps, surprising since there has been little experience of the technique of credit restriction in the conditions of full employment accompanied by rising consumption and investment. A further tightening on credit was introduced at the end of July; but although bank advances are gradually falling the total effect of monetary restraints on the economy cannot yet be measured. Admittedly the rate of increase in personal consumption has been slowing down of late, but total consumers' expenditure is still too high, and incomes (wages, salaries, and dividends) are still rising. Efforts to increase investment have been so successful that, together with the rise in consumption, expansion of demand for both private and public investment is now overloading the economy.

Although at the moment some slowing-down of investment is necessary, in the longer term still more investment is required. Mr. Butler is relying on the credit squeeze and the good sense of management to moderate the pace of industrial investment, and has not, therefore, increased the tax on undistributed profits or abolished the special investment allowances. This is in contrast with some other countries (for example, Sweden and the Netherlands) where reduction of private investment is sought by means of taxation in a situation of over-expansion similar to that of the United Kingdom.

Apart from the question of the application of the incentive philosophy under these circumstances, Mr. Butler certainly made a mistake in allowing profits—quite a large bone of political contention in the United Kingdom—to rise in the spectacular manner in which they have risen in

the last two years. Figures issued by the British Treasury last month showed that net ordinary dividends in the United Kingdom between January and July in each of the last three years have moved up from £103 million in 1953 to £131 million in 1954 and £151 million in 1955, or increases in percentage terms of 9, 22 and 21 respectively. That this should have happened at a time when the cost of living was rising and real wages had not fully adjusted themselves was, and has been rightly interpreted as an undue preference for the "haves". It was a serious error for a Conservative Government to have allowed the impression to be created that it had altered one basic principle of the British system of taxation which is to make incomes more equal. Inequalities in privilege have certainly increased in the last two years particularly when account is taken of the very large expense allowances permitted to business houses. There is enough cause for complaint that the Conservative Government in this case has tended to accord too generous a place to private business against recipients of wages or paid salaries.

To say that this mistake has been made does not imply that Mr. Butler's policy in the long run is not justified, or that there is any reason to believe that that policy is not applicable to countries like India where the limitations of brimful employment and a high correlation between imports and prosperity do not apply. There can be no parallel between a situation in which unemployed manpower and other resources have to be utilised by a system of economic incentives and one in which full employment has been reached and incentives create pressure on existing resources. In the former case, the dynamic element has been found to lie in stimulating both investment and consumption. The Indian economy has proved a good example of what incentives in the shape of relaxations can achieve in expanding output and, in turn, employment. In Britain at this stage, any setback to employment opportunities as a consequence of restraint would not be harmful and might indeed prove healthy, whereas in the less developed economies the risk on employment cannot be lightly taken.

Similarly, the restraint on consumption was inevitable in an economy where the lack of it throws a burden on the balance of payments—because of the necessity to import a bulk of the food and raw materials to satisfy the increasing consumer demand. In countries like India, on the other hand, this increased consumption would largely provide the needed stimulus both to agriculture and to the industries—including those in the unorganised sector—which provide the bulk of the consumer goods. Measures deliberately intended to restrain consumer demand would therefore be inappropriate in an economy which has to seek its salvation in a diversification of demand and gradual rise in the standards of living. These important variations should help us to view the economic philosophy which Mr. Butler set out to apply to the British economy in the right perspective. Labour's criticism of this philosophy may be legitimate because of the political context in which Mr. Butler applied his measures last April on the eve of elections. But that criticism would not have been vindicated in the event but for Britain's special economic position.

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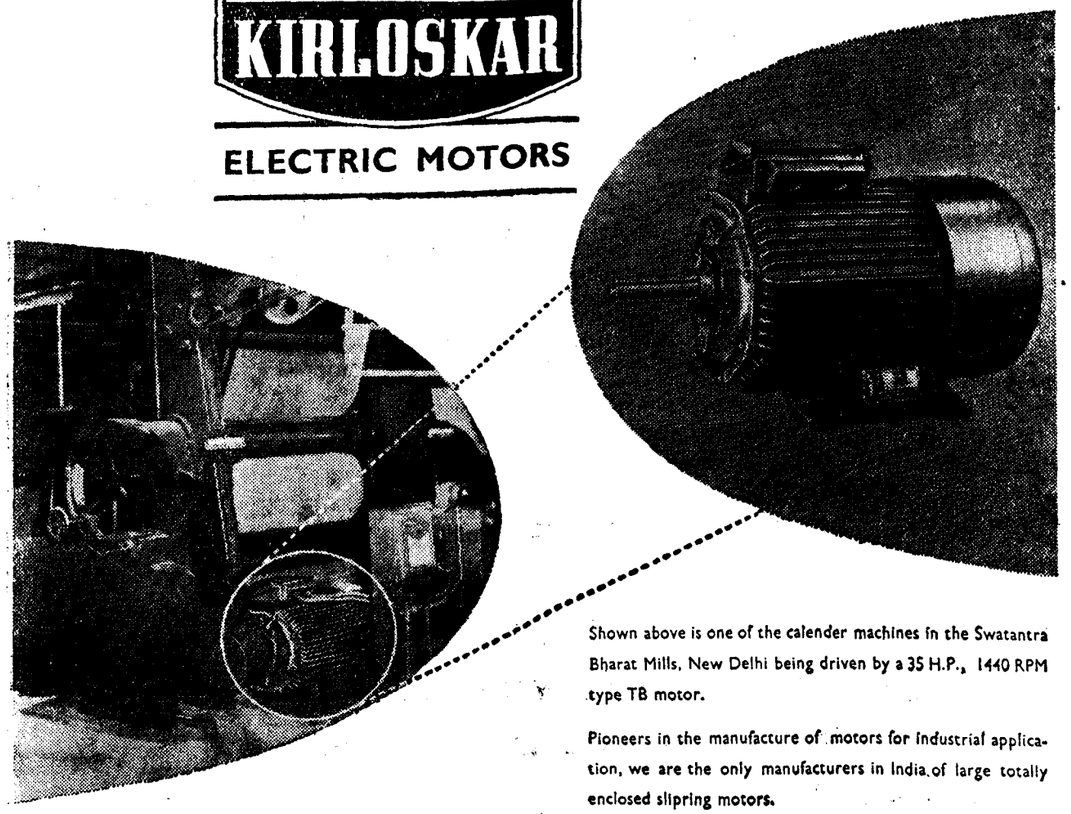
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THE WEEK'S NOTES

TUATION IN THE SAAR

)T FOR the first time have the predominantly Ger-ın-speaking Saarlanders voted for return to German ntrol. At the close of World War I, the Saar, with area of nearly a thousand square miles rich in coal d steel, was handed over to France for 15 years as mpensation for the destruction of French coal mines the German invaders. In 1935, however, a big ajority of the one million inhabitants opted for return Germany. Following World War II, the Saar was ain severed from Germany, given a semi-autonomous nstitutional government, and put under French eco-mic control. In 1952, the decision was ratified by overwhelming majority of the Saarlanders who have w reversed that decision. The Statute, which they ve now rejected, would have converted Saar into European" territory under an independent High Com-issioner, till a German peace treaty was signed, when e people could again vote to determine future status.

The Statute had its advantages. It had the support the French and Bonn Governments. Recently, restric-ons to organise politically were lifted. The people were ee to pursue education, language and trade, in the anner they chose, and there was no bar on such ltural links with Germany. Yet, pro-German senti-ent was exploited by the opponents of the Statute, hich has resulted in the present decision. It is likely at the result will have undesirable consequences for e West European Union and the Franco-German re-tions, even though both Governments are trying to dopt a sober attitude. In the Saar itself, however, e position may worsen if conditions return to those f pre-1954 agreement, as M. Pinay is said to have eared, when pro-German parties were not permitted function.

OUTH CAMPS AND COLLEGE CAMPUSES

OUTH FESTIVALS have been celebrated with greater omp and enthusiasm in totalitarian countries than in he free world because the State finds such occasions seful and necessary for indoctrinating young minds vith the governing philosophy of those in power. It vould be difficult for Governments under a democracy o do the same, with the result that youth festivals ike the Inter-University Youth Festival at New Delhi his week tend to stress congregational festivities like lance, drama and song. The value of such annual atherings is only similar to that of educational tours nd other activities undertaken by students belonging o various areas. There is no particular merit in such ongregations always taking place in India's capital. t is not desirable that too much importance should be ttached to such festivals for the simple reason that to he large majority of youths at universities or else-where, participation would not be possible.

Maulana Azad, Minister for Education, took the pportunity to do some plain-speaking on the shocking decline in student discipline. The Prime Minister em-phasized the general decline in standards and exhorted he assembled youth to cultivate the reading habit. The tendency to regard newspapers as sources of knowledge nas grown; the odd assortment of news, misleading head-lines and polemics have become cheap and attractive substitutes for the ideas, concepts and wisdom to be acquired from a reading of the world's classics in lite-rature, philosophy or the sciences. The teaching of the humanities has deteriorated today to such an extent that university courses in these subjects do not, indeed, provide a true measure of the competence of those who have been through them. Good conduct and a sense of values can be fostered only in the college precincts by those who are competent to guide, during a continu-ous period of corporate life in which emphasis is placed on certain values. Mere annual festivals which tend to identify, in the youthful imagination, all progre culture with the pleasanter entertainments and s... manship would not foster this deeper understanding of cultural values which is needed today. In other words, youth camps and festivals cannot repair the de-ficiencies of the college campuses and the Ministry of Education must turn to the latter for solutions.

METRIC SYSTEM—CHANGE-OVER

DECISIONS FOR a gradual change-over to the metric system of weights and measures by Government Depart-ments, like Railways and Posts and Telegraphs, which were taken recently at the second meeting of the Standing Metric Committee illustrate some of the for-midable problems involved in a change-over to a metric system. Government departments have to make an impact on the public mind for the gradual adoption of the metric system and help the people to be ment-ally prepared for the acceptance of the new system. It was decided that mile-stones and furlong-stones should be marked in metric units as early as possible and that as an interim measure, a furlong could be taken as two hecta-metres (200 metres) and every fifth stone marked to show a kilometre, the error in measuring the distance being corrected later at a convenient point. The existing balances and other measuring devices particularly on the Railways and in the Postal Depart-ment should be recalibrated in metric units.

The Committee also decided that the manufacture of standard weights and measures, based on the metric system, for distribution to the public should be planned in advance in consultation with State Governments. The National Physical Laboratory, New Delhi, will be the agency for the preparation and periodical verifi-cation of secondary standards. Working standards will continue to be prepared by the Mint. Work on the metre-bar will begin at the National Physical Labora-tory within two years from now, while work on the kilogram can start earlier. It was also considered that India should join the International Bureau of Weights and Measures, which is the source for obtaining the prototypes of metre and the kilogram. At the same time, the Bureau will be approached to rationalise the basis of subscription which at present is related to the population of a member-country. On the question of conversion of drawings, maps, specifications, etc., it was decided that the Departments concerned should pro-ceed with the task and the Indian Standards Institution will furnish the necessary conversion tables. The Com-mittee decided that existing maps should be converted without any change in the scale.

Phased plans spread over 15 years, divided into three stages of five years each, for the adoption of the metric system prepared by the Ministries of Defence and Railways and the Indian Standards Institution were also approved. The first phase in Defence will be mainly devoted to education and publicity; rations will be issued according to the metric system and all speci-fications and drawings will be on the new system. In the second phase the preparation of drawings and specifications on the new system will be completed and the system will also be adopted in training, exercises and tactics. The third and final phase will see the completion of the process of change-over. In the Railway plan, during the first period, mile-stones would be replaced by kilometre posts. Specifications, sche-dules of rates, etc., will be re-written. New tariffs for booking passengers and goods will be drawn up and the staff will be familiarised with the metric system. The new schedules of tariff will be brought into force during the second period when all weighing machines will also be modified. Fare and Time Tables showing distances and fares in both systems will be issued.

During the third period, the metric system will be completely replaced by the present foot-pound system.

The question of legislation for enforcing the metric system was examined and a draft bill was generally approved. It is hoped it would be possible to get the legislation through Parliament before the next General Elections.

CONFERENCE ON TOURISM

THE PLENARY session of the 10th General Assembly of the International Union of Official Travel Organisations which concluded this week in Delhi was in session for about a week during which it examined various aspects of international tourism and made a number of recommendations. These recommendations mainly related to elimination of travel barriers, liberalising customs and visa formalities and relaxation of currency regulations. The conference particularly recommended the adoption of travel code laid down by the European Travel Commission for all its member-countries. All the sixteen West European countries who are members of this Commission have adopted a common code of customs and visa regulations with a view to facilitating tourism.

The conference has laid stress on social tourism and recommended that all member-countries should encourage the same by organising study tours for students and excursions for employees of middle and lower income groups. Creation of official commissions composed of qualified representatives of competent Ministries like Transport, Labour and Education was another recommendation made by the conference. The proposed commission would, according to the recommendations, consider all problems of travel and assess the feasibility of granting subsidies to recognised tourist organisations with a view to promoting social tourism. It was also decided to examine through special commissions the needs of all member-countries from the tourist point of view. These commissions would respectively collect the necessary documentary material related to tourist problems with a view to advising the United Nations and other national and international bodies on the mode of assistance to be given to the respective countries for tourist promotion.

Russia, Poland, Rumania, Syria and Singapore have been admitted as full members of the IUOTO. This brings the total strength of full membership of the Union to 53. Burma has also signified her intention to join the Union and would announce her decision shortly. Mr. Kharachinkov, on behalf of the Soviet Union, pointed out that the "Intourist Organisation" of the Soviet Union had during the past two months received about 5,000 tourists from various countries, and added that the Soviet Union was making all efforts to promote international tourism. Luxumburg and Ceylon have been elected to the Executive Committee which comprises 15 representatives from various countries. Italy has secured the first prize for the best poster in International Travel Posters Competition sponsored by the Ministry of Transport, while France and Great Britain were awarded prizes for the best photograph poster and the best artistic poster respectively.

The International Travel Research Institute which recommended a comprehensive programme of publicity for promotion of tourism also decided to organise a survey of tourist trends in India and the countries included in its region. The Statistical Officer of the Union Ministry of Transport has been authorised to prepare this survey. According to the recommendation accepted by the General Body, the Asian Travel Commission has been divided into two separate Commissions, one to be sponsored by India and the other by Japan. The Commission sponsored by India would include Pakistan, Africa, Nepal, Burma and Ceylon. Vienna will be the venue of the next session of the IUOTO General Assembly to be held in 1956.

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For further information :

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A Window on the World

THE LATEST "HAIR-DO" IN TAXATION

By

ODYSSEUS

TION does not, it seems, present any difficulty in the socialist or welfare state: its problems have apparently been finally threshed out in the last forty years until today we all take it for granted that income-tax should be so steeply progressive that there can be no "rich". It is true that in India, and elsewhere in the free world, company chairmen periodically make speeches urging reduction in income-tax, but this has become as much a ritual symbol of office as the sacred thread worn by the orthodox and arouses as little comment.

But if nobody really expects any substantial reduction in income-tax, it is not because the case for it is hopeless but only because the "climate of opinion" is against it. It therefore becomes important to note that the climate of opinion is not a God-made phenomenon, like that of Bengal, of which mankind has to make the best. Those who trouble to read history consider the "climate of opinion" to be a misleading metaphor and urge that it would be more accurate to speak of the "fashion in opinion", just as western women speak of fashions in clothes and Indian women (judging by the advertisements) are beginning to speak of fashions in hair-do's.

You need only examine the western illustrated press to see how fantastically the fashions of women's dresses have varied within the life-time of many now living. Think of the high-necked dresses with mutton-chop sleeves, wasp waists, and billowing skirts of the early 1900s, the hobble skirts of 1912, the "cloche" hats of the 1920s—how ludicrous they seem next to our "modern" wear. And yet today's western fashions will doubtless evoke the smiles of tomorrow's western children. And in 2255 A.D. the dresses worn by Queen Elizabeth II will be as identifiably "period" as the huge "Elizabethan" ruffs worn by that Queen Elizabeth who sent an ambassador to the court of Akbar.

FASHION DESIGNERS

When we laugh at pictures of nineteenth century fashions in clothes, do not let us forget the economic and political fashions. How curious were the slogans of the "progressive" Left-wing nineteenth century statesmen: "Retrenchment and reform! Leave money to fructify in the pockets of the people!" It ought to occur to us that there are professional designers of women's fashions so there are professional designers of economic and political fashions, and if the dress and economic fashions of 1855 strike us as "outmoded", why should there be anything sacrosanct about the fashions of 1955?

Fashions in economics are set by that handful of economists and politicians who struggle with current problems and proclaim their thoughts aloud. If we credit them with sincerity, there is, looking back on history, no need to credit them with infallibility. This, however, is just what the average man does. To accept the fashionable doctrine of the day simplifies one's life. To question it is to court scorn as ill-informed or, worse still, "old-fashioned". Yet it is vital to realise that while sifted and accepted economic theories have explained the circumstances of a given moment, no moment ever stands still: circumstances are always changing. We need to keep our economic thinking under constant review and the more axiomatically accepted is any dogma, the more likely is it to need revision.

Which brings me to taxation. I don't want to discuss the details of the system common to India, Britain, and America, but the principles on which it is based. I am prompted by one of the most important articles written on taxation, socialism, and welfarism, in recent years: the modestly titled and moderately argued "Notes on Public Finance" by Professor Lionel Robbins of the London School of Economics, published in the October issue of Lloyds Bank Review, to which I direct your special attention.

Professor Robbins points out that the prospect of any substantial change in the system of personal taxation is universally assumed to be uncalled for and he demonstrates that this assumption is untenable.

Of all the factors that have in the past fifty years modified the economic structure of the western world (in which for this purpose, as for so many others, India must be included), it is not so much the theory of socialism which has wrought the profoundest changes on enterprise, accumulation, and distribution of income and property, as the practice of steep progression of income-tax and of death duties on estates. Not all the schemes of nationalisation and the interference of state controls have had the "relentless, ubiquitous influence of the tax machine", and it is clear that if this machine is allowed to grind on, without modification, India, Britain, and America, despite the differing goals of their various political parties, will within a measurable number of years, become states in which all economic, and therefore all political, initiative and power will have passed from the individual to the state.

To socialists this is a matter for rejoicing, but to innumerable other thoughtful people in positions of leadership in the Indian and western worlds who do not believe in total state control, it is vital, before it is too late, to put the question: Do you realise that the principle of personal taxation now applied by parties of the Right, as of the Left, is socialising your countries quietly and more efficiently than any overt policy of socialism?

INDIA JOGGING BEHIND BRITAIN

Now that the principles of socialism are being questioned in Britain and in the west in the light of at least two decades of practical experience, it is more important than ever that Indian "progressives" should at long last turn from the path that they have hitherto followed so blindly and cease to jog along in a state of semi-hypnosis ten years behind the British Socialists, introducing with a flourish in India British legislation and practices just when the British, having through trial detected the errors, is discarding or revising them.

While India is apparently aiming to nationalise her steel industry in the course of time, what is the lesson

of the nationalised British coal industry and how does this compare with the unnationalised cotton textile industry? It is clear that these two British industries are past their heydays. Coal is due to cede to atomic fuel and cotton textiles to the latest evolutions of nylon and plastics (in this connexion: India beware!) But whereas the admittedly uncomfortable, but economically essential, closing down of cotton textile production and transfer of workers and capital to other and growing industries is proceeding steadily, the British coal industry becomes a bigger liability year by year; here the inexorable process of diversion of resources is expensively slowed to snail's pace by the vested interests created by the transformation of an economic problem into a political controversy.

Experience of nationalisation has demonstrated that it does not evoke greater but lesser production from the workers, and that the substitution of civil servants for shareholders does not eliminate the frictions of employer-worker relations. All industries are obsolescent and all that nationalisation does is to give a country a vested interest in the past, saddle it with the obsolescent and obsolete. If nationalisation had existed in eighteenth century India, we should all still be travelling around the country by the All-India Palanquin Service.

What Professor Robbins brings out so clearly is that the fashion of opinion of all parties—of the Right as of the Left—is at present set towards "collectivism"; the tendency is to shift more and more the sources of initiative to the central government and its organs. Equalisation redistributes incomes but it also destroys the independent, non-official sources of power. It leaves more and more to be done by government.

We can agree that not all aspects of this tendency are bad. Many extensions of the state's functions have been valuable, in particular those which create greater equality of opportunity, but Robbins is right to insist that these extensions should take place amidst sufficient checks and balances to prevent them from dominating the economy. Although the absolute area of state activity may properly increase, it should not increase relatively over the whole.

A nation is the sum of its individuals. If you encourage each to rely on himself, to have creative personalities, you will have a robust state. If you discourage the individual and concentrate economic and political power in a few civil servants and politicians who have achieved positions of authority by their ability to offer "safe" advice and to conform to the party line, you will have a slow moving state with a lower standard of living than is necessary. Above all, it cannot be a democracy, for in a true democracy ultimate authority lies with the electors, and you cannot be an independent elector if you have shorn of all economic power.

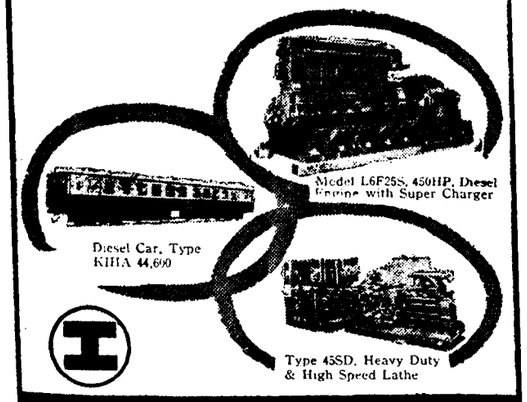
Having reflected over the value of preserving as much power as possible for the individual, we are in a better position to examine next week the effects of steeply progressive taxation, and to engage in the proper function of this journal and its readers—the redesigning of the popular fashion in economic opinion.

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WORLDGRAM

AGRICULTURE

Sugarcane Production Through Radio-Isotopes: The latest report from Hawaii that the use of radio-isotopes, which are the peaceful products of atomic energy, has yielded a larger sugarcane crop is of considerable importance and value to the Indian sugar industry and cane growers. In one of the projects, the absorption of water from irrigation lines in the cane-fields was studied by adding radio-active rubidium to the water and then tracing its course through the soil with a Geiger counter which recorded the atomic radiation in water. The tests are reported to have enabled the cane growers to design better irrigation systems and to distribute ammonia fertiliser through irrigation water to the sugarcane plants. Experiments have also been reported in regard to the use of radio-isotopes for determining not only the quantity of fertiliser required to raise strong and healthy plants but also the best time for and methods of applying fertiliser. It is claimed that the use of this knowledge has led to a higher per-acre yield of cane.

*

U.S. Farm Production: Farm production in the United States this year is expected to reach the highest total on record. In making this prediction, the U.S. Department of Agriculture says total farm production—both crop and livestock—is expected to be slightly above the total production of 1948, the highest crop-production year so far recorded. The peak movement of the wheat crop has passed and wheat prices have strengthened. The total 1955 crop is about 6 per cent smaller than last year's– the result of acreage limitations voted by the growers to assure government price supports—but total supplies for the new marketing year are nevertheless estimated at a new record of 1,941 million bushels. This is 65,000,000 bushels above the supply at the beginning of the last marketing year.

INDUSTRY

Rubber Manufacturing Industry in Thailand: The Agriculture Department of Thailand has opened a rubber manufacturing plant at Koh Hong, Songkla. Machinery and equipment have been provided by the U.S.A. The plant will be under the supervision of a rubber expert from the Food and Agriculture Organisation of the United Nations. It aims at demonstrating how high-grade rubber may be produced at relatively low costs by the use of new machinery and techniques and at aiding rubber planters by cash purchases of their latex. The plant will produce white crepe rubber.

*

U.S. Steel Output: The United States steel production in the first nine months of this year came close to the total for the full year 1954. In the period up to September 30, 1955, production of ingots and castings amounted to some 85.5 million tons, compared with a total output of some 88.3 million tons for all 1954, according to the American Iron and Steel Institute. The nine-month total exceeded output for the first nine months of 1954 by some 21.6 million tons, and was, just slightly higher—by some 272,000 tons— than the previous record output for the first three quarters, made in 1953.

*

Industrial Research in Britain: Experiments on 243 different paints over the last ten years may help Britain to reduce the loss due to corrosion of iron and steel which is estimated at £200,000,000 annually. Extensive researches carried out by the British Iron and Steel Research Association and the British paint industry indicate that much of the great and unnecessary waste of iron and steel and of money resulting from the use of inefficient painting techniques and the wrong types of paints and media could be eliminated. Experiments also indicate that different types of paints are effective in protecting steel plates against corrosion caused by exposure to the atmosphere under different conditions.

*

Indian Industrial Output in the Second Quarter of 1955: Industrial production in India during the second quarter of 1955 was slightly higher than the output during the corresponding period of 1954. The interim index of industrial production during the period April-June, 1955, was 158.4 as compared with 157.6 for the previous quarter and 143.7 in the corresponding period of 1954. The index in March 1955 was 162.2 and rose to a new peak of 166.7 in April. It declined in May to 151.8 but increased again to 156.7 in June 1955. Industrial production has thus been maintained at a considerably higher level during the first half of this year as compared with the level reached in 1954, when the general index was 146.6 which was a record. During the second quarter of this year, the industries which showed higher production included automobiles, bicycles, sewing machines, radio receivers, razor blades, machine screws and sugar.

*

Draft Standards for Knives: The Indian Standards Institution has issued, for eliciting comments, draft Indian standard specifications for table, dessert and fruit knives and fish and butter knives. The draft specifications cover the requirements of table, dessert and fruit knives made of stainless steel and fish and butter knives made of stainless steel as well as nickel silver. The requirements regarding cleanliness matching the various items of cutlery and plating have been specified. Other details, such as the quality of the material, shapes of the knives, dimensions and heat treatment, where necessary, have also been stipulated.

FINANCE

Foreign Exchange Budget of Japan: The Government of Japan formally decided on the foreign exchange budget of $1,583 million for the latter half (Oct.-March) of the current fiscal year. Salient features of the budget are: (1) increasing imports in proportion to increased exports; and (2) freeing of imports to a reasonable extent duly considering domestic situation. Of the total $1,588 million, $1,314 million is for commodities (including reserves of $50 million) and $274 million for invisibles. This is $156 million more for goods than originally estimated by the Government at the beginning of the fiscal year. The balance of payments for the year is expected to result in a surplus of $212 million propped by a favourable trend in export trade.

*

W.H.O.'s Budget for 1957: The South-East Asia Regional Committee of the World Health Organisation has recommended a sum of $1,40,000 to be spent during 1957 in the region under W.H.O.'s regular budget according to a W.H.O. press release. In addition to this sum, an outlay amounting to over $500,000 is envisaged for W.H.O.—assisted projects in the region which would be financed (apart from sizable investments by the Governments themselves) out of funds expected to be available under the U.N. Technical Assistance Programme and from the U.N.I.C.E.F. The main countries to benefit as members of the W.H.O. Regional Organisation for South-East Asia will be Afghanistan, Burma, Ceylon, India, Indonesia, Nepal and Thailand.

*

Bengal Motor Spirit Taxation Bill: The Bengal Motor Spirit Sales Taxation (Amendment) Bill, 1955, received the assent of the President on October 10. The Bengal Motor Spirit Sales Taxation (Second

Amendment) Act, 1954, which was enacted with the President's assent to amend the Bengal Motor Spirit Sales Taxation Act, 1941, provided for taxation of "motor spirit" for the purpose of aviation at the rate of three annas per gallon. Of late, a question has arisen whether the words "motor vehicle" occuring in the definition of the term "motor spirit" in clause (a) of section 2 of the parent Act of 1941 mean vehicle for use on roads only. The object of the present Bill is to place the matter beyond doubt by adding an explanation to the definition of the expression "motor spirit" so that the term "vehicle" may include any means of carriage, conveyance or transport by land, air or water.

*

New Decimal Currency in Cyprus: It is reported that decimal currency has been introduced in Cyprus. In the new currency the pound will remain as a standard unit, but it will be sub-divided into one thousand mils, instead of shillings and pistres. The coinage, consisting of 100 mils, 50 mils, 25 mils, 5 mils and 3 mils denominations, was struck by the Royal Mint. The highest three denominations have been struck in cupro-nickel, in the same metal as the United Kingdom half-crown, etc., and the lowest two denominations in bronze, in the same metal as the United Kingdom penny, etc. All the coins bear on one side the crowned effigy of Her Majesty the Queen. The designs on the other side of the coins are intended to symbolize the island's natural and cultural characteristics.

TRADE

U.S. Farm Exports: Current estimates prepared by the U.S. Department of Agriculture indicate that U.S. agricultural exports for the year ended June 30, 1955, totalled $3,130 million in value. This was an increase of 7 per cent over the 1953-54 total of $2,936 million and 11 per cent over the 1952-53 total of $2,819 million. Largest gains were registered in vegetable fats and oils and livestock products, but there were also increases in cotton, tobacco, and fruits and vegetables.

*

U.K. Machinery Exports to India: Britain's machinery exports to India in August 1955, showed a rise of nearly £2,000,000 in value over those for the same month last year, India taking £5,674,000 worth, as against £3,681,000 worth. The figure of the month was made up of 182,434 cwt of non-electrical machinery worth £3,753,000, and £1,921,000 worth of electrical machinery, apparatus and appliances. In the former category—in which India was Britain's second biggest customer during the month—textile machinery comprised the main item. Of the 146,572 cwt of this type of machinery Britain exported during the month (worth nearly £4,000,000), India received 27,078 cwt, to the value of £697,000. Among other non-electrical machinery Britain sent India during the month were 21,395 cwt of boilers and boiler-house plant (£217,000); 10,907 cwt of internal-combustion engines (£249,000); 1,172 cwt of agricultural machinery (£16,000); 111 agricultural and track-laying tractors (£46,000); 800 cwt of office machinery (£81,000); 13,728 cwt of machine tools (£332,000); 4,711 cwt of pumps (£136,000); 11,066 cwt of industrial and works truck (172,000); and 7,992 cwt of excavating and earthmoving machinery (£135,000). The value of Britain's worldwide exports of non-electrical machinery in August was £42,888,000, compared with £30,042,000 in the same month in 1954, while the figure for the first eight months of 1955 was £300,956,000, compared with £281,089,000 in the same period of 1954.

*

Indo-Swedish Trade: Indo-Swedish trade for the period, January to April, 1955, amounted to 32.8 million kr. as compared with 29.4 million kr. in the corresponding period of 1954. Swedish imports and exports were valued at 9 million kr. and 23.8 million kr., respectively, as against 7.2 million kr. and 22.2 million kr., respectively, in 1954. Imports from India have thus increased by 2.2 million kr. while exports to India show an increase of 1.6 million kr. In April 1955 alone, imports from India and exports to India reached 1.5 million kr. and 5.3 million kr., respectively.

*

Australia's Trade with Rhodesia and Nyasaland: A trade agreement was signed between the Australian Government and the Federation of Rhodesia and Nyasaland on the 30th June, 1955, providing for trade concessions on either side. Australian exports of wheat, processed milk, tallow, butter, cheese, fresh mutton and agricultural machinery will be allowed in the Federation free of import duty. In return, Australia will permit unmanufactured tobacco imports from the Federation at a special rate of import duty which is 9d. lower than the British preferential tariff rate. The Federation goods such as asbestos, chrome ore, fruit juices, tung oil, essential oils (citrus), and beeswax will be allowed to enter into Australia at British preferential tariff rate duty.

*

Indo-Pakistan Trade: In the first seven months of the trade year 1954-55 coal and coke formed the biggest item of import valued at Rs. (P) 143.39 lakhs, followed by cotton piecegoods, Rs. (P) 89.14 lakhs; chemicals, drugs and medicines Rs. (P) 28.55 lakhs; spices Rs. (P) 12.36 lakhs; and machinery Rs. (P) 10.08 lakhs. Raw jute valued at Rs. (P) 424.70 lakhs was the biggest item of export followed by fish at Rs. (P) 147.51 lakhs; rice at Rs. (P) 49.81 lakhs; raw hides at Rs. (P) 22.30 lakhs; and fruits and vegetables at Rs. (P) 21.47 lakhs.

MISCELLANEOUS

Indus Waters Discussions: The discussions regarding the use of the Indus Waters, which have been taking place in Washington, D.C., between the representatives of India and Pakistan with the participation of the World Bank, were due to terminate on September 30, 1955. It has not, however, been possible to bring the discussions to a successful conclusion by the specified date. Consequently, by agreement between the two Governments and the Bank, the terminal date for the discussions has been extended to March 31, 1956.

*

Atomic Power Development in the U.K.: The British Government has decided to double the size of Calder Hall. By 1965 Britain will have 17 atomic power stations operating at least as cheaply as coal-firing stations and, together, replacing about 8,000,000 tons of coal. Calder Hall will soon become as commonplace as Battersea. It is thought that the switch to feed-in the first electricity to the national Grid will be thrown about the middle of 1956.

*

Utilisation of Salt Cess: A Central Board consisting of 12 members has been set up by the Government of India to advise them on the utilisation of the proceeds of the salt cess. At the same time six Regional Boards in the salt producing areas of Madras, Andhra, Travancore-Cochin, West Bengal and Orissa, Saurashtra and Kutch and Bombay have been constituted. The Regional Boards will make recommendations to the Central Board on the establishment and maintenance of research stations and model salt farms. They will also recommend measures for setting up, maintenance and expansion of salt factories, fixing of the grades of salt and promoting and encouraging co-operative effort among salt manufacturers. Measures for promoting the welfare of labour employed in the salt industry will be recommended to the Central Board by the Regional Boards.

NEWS IN BRIEF

INDIAN

During the second quarter of 1955, a total of 5,646 automobiles were manufactured as against 5,357 in the preceding quarter. The production was more than double the number of automobiles manufactured in the corresponding period of 1954.

*

The Railway Board, Ministry of Railways, Government of India, has appointed an ad hoc committee to co-ordinate and deal with all matters arising from the proposed introduction of the metric system of weights and measures on the Indian Railways. The headquarters of the Committee will be Lucknow and the Director of the Railway Testing and Research Centre there will be its chairman.

*

India is being represented by an eight-man delegation at the tenth session of the General Agreement on Tariffs and Trade which opened in Geneva on October 27, 1955. Shri L. K. Jha, Joint Secretary to the Government of India in the Ministry of Commerce and Industry is leading the delegation.

*

The Madras Land Revenue (Surcharge) Amendment Bill, 1955, which was enacted for providing for the levy of a surcharge on land revenue assessments in the State of Madras, received the assent of the President on October 10, 1955.

*

Legislation to set up a National Co-operative Development Board and an All-India Warehousing Corporation and State Warehousing Corporations will be passed, it was stated by the Union Minister for Agriculture, Dr. Punjabrao S. Deshmukh, in Mangalore on October 16, 1955.

*

The Canadian Red Cross Society has sent by air medical supplies of the value of $30,000 for flood relief work in India, while the Red Cross Society of Rumania has placed at the disposal of the League of Red Cross Societies at Geneva a sum of 33,000 roubles for the purchase of blankets, multivitamin tablets and antibiotics for use in India. The Australian Red Cross has also sent by air supplies valued at about £400.

*

With a view to correcting the imbalance in Indian diet, emphasis is being shifted, under the second Five-Year Plan, from cereals to protective foods like milk, meat, fish, fruits and vegetables, etc. Special attention will, therefore, be paid to the development of dairy farming, animal husbandry and fisheries.

*

A Council—the fifth in the export promotion council series—to promote the export of two important foreign exchange earners, cashew and pepper, has been set up with headquarters in Cochin. The other four councils are those for cotton textiles, silk and rayon, plastic goods and engineering.

*

The Indian Ambassador to the U.S.A., Mr. G. L. Mehta, recently signed the charter of the International Finance Corporation which is being established to promote the investment of private capital in productive enterprises in the under-developed areas of the world.

*

India will require Rs. 11,000 million foreign capital during the second Five-Year Plan, according to Mr. G. L. Nanda, India's Minister for Planning.

*

The Government of India has sanctioned to various State Governments and non-governmental organisations grants totalling Rs. 2,03,44,380 in August and September 1955, for the construction of 5,632 tenements under the Subsidised Industrial Housing Scheme.

FOREIGN

The U.N. has published two new volumes in its series entitled "International Tax Agreements". The fourth and fifth of this kind, they give the texts of more than 100 international agreements on the avoidance of double taxation and the prevention of tax evasion and describe the status of these agreements up to June 1, 1953.

*

A series of measures to promote safety and health of the workers throughout the world was recommended to the International Labour Organisation in Geneva by the ILO's Panel of Experts on Occupational Safety and Health.

*

Indonesian exports to Britain during the first half of 1955 amounted to £6,613,000 compared with £3,212,000 for the same period in 1954. During this period, British exports to Indonesia were worth £4,837,000 while in 1954 for the same period they were worth £5,689,000.

A new electric oven for the production of high-grade steel, the biggest of its kind in Yugoslavia, came into operation in the Ravno Steel Mills (Slovenia). It is reported that this furnace will produce about twenty thousand tons of high-grade steel annually.

*

Consumption of oil in the United States will about double in the next twenty years, predicted a U.S. Government expert recently. This would mean annual consumption of 4,500 million and 5,500 million barrels, as compared with the use of approximately 2,800 million barrels in 1954.

*

The State Bank of Pakistan has introduced a scheme for increasing facilities for agricultural credit. Under the State Bank of Pakistan Ordinance, 1955, co-operative banks can now be designated as scheduled banks provided they satisfy the prescribed conditions and can obtain from the State Bank loans having maturity up to fifteen months for purposes of financing agricultural operations and the marketing of crops.

*

Prohibition and community projects were recently suggested by Mr. A. D. Mani in the U. N. Trusteeship Committee as two likely solutions to the problem of raising the purchasing power of industrial workers and the living standard of peasants in non-self-governing territories.

*

A new sterling area payments agreement providing for an increase of about 25 per cent in trade exchanges each way was recently approved by Japan. Along with a new agreement on trade between Britain and her colonies and Japan, the new arrangements are expected to mean larger Japanese purchases of bulk commodities like wool and cotton. Under the arrangements Japan and the sterling area expect to balance trade over a year at about £255 million each way. The working of the new arrangements will be reviewed in February 1956.

*

Austria and the Soviet Union signed three economic agreements on the 17th October, 1955, including one for an exchange of goods providing for trade worth $25 million a year each way in the first year. The agreements would remain in force for five years, the announcement states.

*

To relieve storage congestion at Atlantic and Gulf ports, the U.S. Department of Agriculture has offered to sell on a competitive bid basis, over an indefinite period, around four million bushels of soft red winter wheat.

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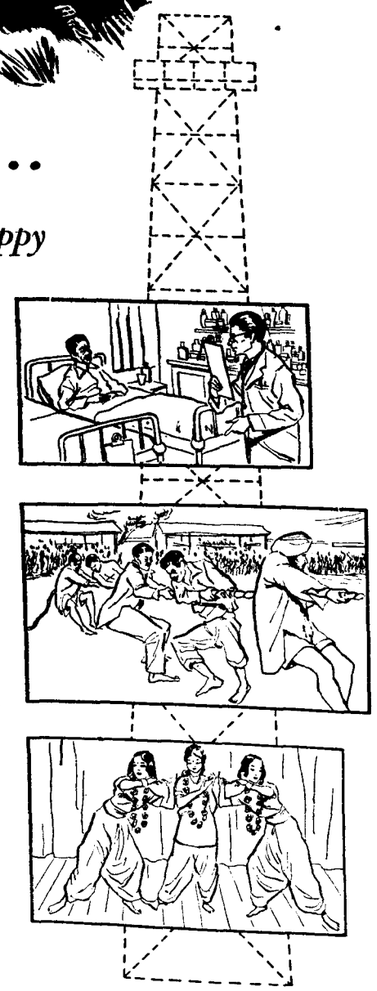
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The Business World

BONUS PACT IN BOMBAY MILLS?

By

CROESUS

On the question of a bonus pact, at any rate, it has not been Bombay's customary privilege to lead, with the other places following the "urbs prima in Indis". Thus, full four months after the Ahmedabad formula became labour news, and two months after it was applied to Indore, negotiations have just been started in Bombay to reach a similar 'bonus pact' between the textile millowners and the 2,10,000 textile workers in the city. Notwithstanding this belated start, it is to be hoped that these negotiations will bear fruit soon. For industrial peace is a major desideratum for the economic growth of India. It is all the more so at a time when we want the tempo to be considerably accelerated as has been proposed under the second Five-Year Plan.

It may be expected that, when finalised, the Bombay bonus pact also will be on the same lines as those of the Ahmedabad and the Indore versions. The salient features of the Ahmedabad and the Indore accords may, therefore, be recalled here for ready reference. These are:

(i) the workers should receive a minimum of 4.8 per cent (equivalent to 15 days' wages) of annual basic wages as bonus for five years, irrespective of whether all the mills make profits or not;

(ii) there is a ceiling of 25 per cent of annual basic wages for profit-making mills, which might otherwise be required, under the Labour Appellate Tribunal's formula, to pay more than three months' bonus;

(iii) mills suffering losses will be compensated in any future year of profits; and

(iv) extensive use of the Giri approach is to be made in settling labour disputes.

Pending deliberations on the proposed bonus pact, it may be noted, a dispute over the bonus issue for 1953 between the "Rashtriya Mill Mazdoor Sangh" and the Millowners' Association, Bombay, now before the Bombay Industrial Court, has been kept in abeyance. This shows that both the parties are in the right mood now to consider such a proposal dispassionately. Workers' spokesmen are still considering, I am told, whether or not they would be well advised, in the prevailing circumstances, to accept the millowners' offer. If I may offer them (labour leaders) a tip, I would unhesitatingly say it is both in their own interests and in those of the country at large to accept the offer.

It is in their own interests to do so, because, in spite of the rising tempo of economic activity in the years to come, the cotton textile industry is most unlikely to make higher profits, what with the recommendations of the Kanungo and the Karve Committees and the deeprooted prejudice of the All-India Khadi and Village Industries Board against the organised mill industry. The ceiling proposed on mill production, on the one hand, and the competition of subsidised handloom products, on the other, are likely to make heavy inroads on the future profits of cotton mills, and, to this extent, the bargaining position of the labour unions will stand to weaken, rather than to strengthen. Moreover, in the twin context of the Socialistic Pattern of Society and the inflationary era that is likely to stem from the enormous developmental outlay under the second Five-Year Plan, the authorities are certain to do everything in their power to keep prices down and, therefore, profits as well. By reason of all these, it is undoubtedly more in the interest of labour to accept the one "pucca" bird in the hand—in the form of an assured bonus under the proposed formula—than to pursue two potential birds in the bush—in the form of hopes of higher bonuses—which may be held out by some professional agitators.

It is also in the interests of the country that some such understanding is reached between the millowners and the workers, inasmuch as such would ensure industrial peace for at least the greater part, if not the entire duration, of the second Five-Year Plan, and, as already stated, that is a desideratum to be devoutly sought for.

AMBITIOUS ROLE FOR THE AMBAR CHARKA

A Post-Script

By

CROESUS

I must hasten to add, Mr. Editor, the following post-script to my despatch on the above subject. After perusing the detailed proceedings of the All-India Khadi and Village Industries Board meeting at Ahmedabad, I feel convinced since that there is no contradiction as such between the A.-I.K.V.I.B. and Mr. V. L. Mehta.

Mr. Mehta has rightly excluded 1,000 million yds. (the target of our cloth exports) from his computation, as these do not enter into our domestic requirements. But I have another point to make in this context. One is not sure whether the whole of these 1,000 million yds. refer to exports of mill cloth alone, or are also inclusive of both mill and handloom and powerloom cloth. To the extent that the export figures include handloom and powerloom cloth, the share of mill cloth in the country's exports is correspondingly reduced. The net effect would be that the figure of 1,000 million yds. remains there only as a notional figure. With a definite ceiling of 4,000 million yds. on the mills' contribution to domestic consumption as Mr. Mehta urges, and an actual export of very much less than 1,000 million yds.—in 1954, it is said that the actual total mill cloth exports were more than 834 million yds!—cotton mills in India, I am afraid, will be required to reduce production. In other words, they may not be allowed even to maintain it at the present level!

Against this prospect, it is worthwhile examining

e over all statistical position of cotton cloth in this ountry. The following is a table which has been com-iled from available published figures:

	(In million yards) 1954	1953
Mill production	5025	4906
Handloom production (average figure)	1600	1600
Imports	4	4
Opening stocks (with mills)	0.5	0.4
TOTAL	6629.5	6510.4
Exports:		
Mill cloth	834	628
Handloom and powerloom cloth ..	53	65
	(1954-55)	(1953-54)
TOTAL	887	693
Closing stocks (with mills)	0.4	0.3
Total cloth (from all sources) available for consumption	5742.1	5817.1

	1954	1953
Population in millions	373	368
Estimated consumption per capita (in yds.)	15.39	15.80
Official per capita (in yds.)	15.30	..

It will be seen that, even with an average annual production by handlooms and powerlooms of 1,600 million yds. (which has to be proved) and of 5,025 million yds. by cotton mills, the "per capita" consumption in 1954 was only 15.39 yds., that is still below pre-war and slightly lower than in 1953. If Mr. Mehta's presumption of a ceiling of 4,000 million yds. mill production for supplying to the home market were applied to 1954, just for argument's sake, the total mill production could not have exceeded 4,834 million yds. (4,000 plus 834) or, in fact, 191 million yds. less than the mills actually produced. The effect of this would naturally be a further reduction in per capita cloth consumption in our country and not an increase, as every one would wish, unless the handlooms and powerlooms are able to make up the shortfall. The solemn question that handloom intere would have to ask and answer themselves, therefore whether they can effectively step into the brea

[This post-script to the article on the subject week was received too late to be included.—Ed.]

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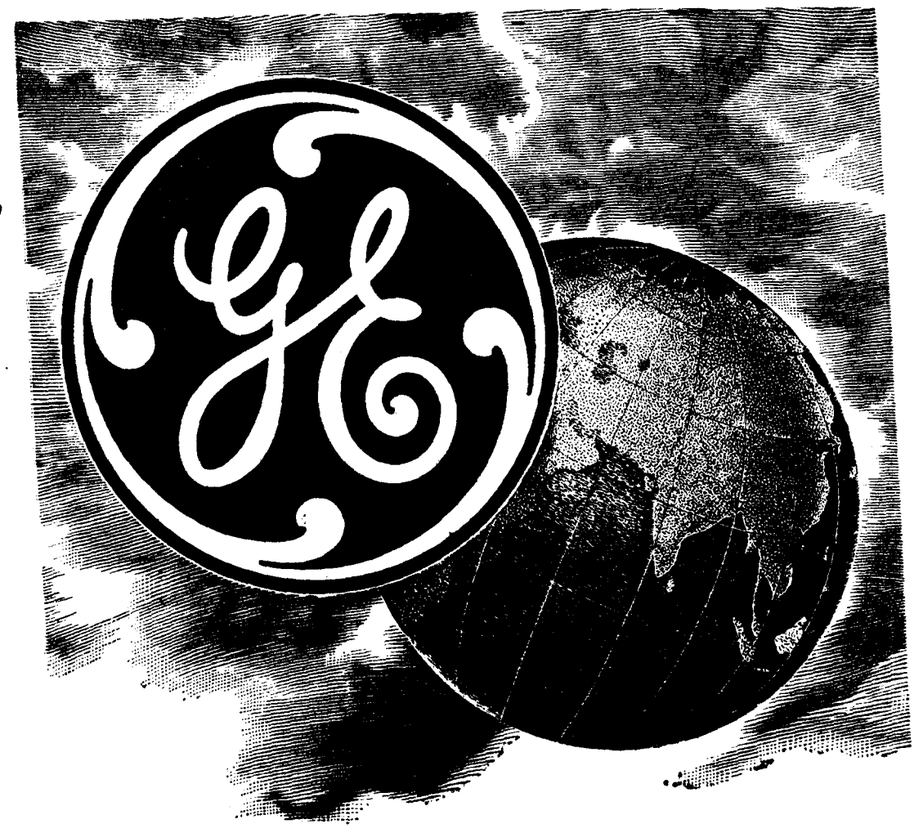
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1853 KRUPP invented the seamless forged railway wheel tyre
1862 The Bessemer process for the bulk production of steel was introduced
1912 The invention of stainless steels was patented by KRUPP
1923 The process of nitrite hardening was invented
1925 KRUPP research produced non-ageing steels and highly refractory steels
1926 Industrial-scale manufacture of the first sintered carbide in the world, WIDIA Hard Metal
1938 Introduction of the KRUPP direct process for the smelting of low-grade iron ores (KRUPP-Renn Process)
1954 KRUPP Engine Compression Brake, a third brake for heavy trucks, patented.
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BUSINESS NOTES

U.S. AID COTTON SCHEME

AT LONG last, the Government of India's gift to cotton traders—it was promised as a Christmas offer last year to materialise! The proposal of the U.S. gift cotton scheme was mooted as far back as December, 1954 when the cotton traders were posted with the terms of the agreement between the Governments of India and the U.S. After labouring for full nine months, the Government brought forth, on September 27 this year, the details of the scheme. These details have yet to be sanctioned officially, and one hopes that this would be done at least before the next Christmas.

All this delay has been occasioned, it would appear, because of the Government's reported insistence, (fantastic from the point of view of traders) on a deposit of Rs. 1,00,000 for every 100 bales from mills desiring to import this aid-cotton from America. Meanwhile, it is reliably understood that the Government has nominated 17 firms in Bombay as their agents in respect of dealings arising out of the final acceptance of this scheme for import of American aid-cotton. It may incidentally be mentioned here that the studious use, latterly, of the term "aid-cotton" in preference to "gift-cotton" underlines the fact that the U.S. cotton in question will come to India not by way of gift but in the form of a loan, whereby India is allowed a period of 40 years over which to pay for the U.S. cotton. It is also stated that while, for the first three years, no interest will be charged, thereafter, the loan will bear interest at the rate of 4 per cent per annum.

COIR IN EXPORT

THE REPORTED decision of Malaya to develop coir making for commercial purposes should come as a rude shock to our exporters, because India has been supplying considerable quantities of coir yarn and products to that country. In 1954, India supplied as much as 1,223 tons (M$870,913) out of the total Malayan imports of 1,362 tons of coir ropes (M$968,037), 169 tons (M$105,387) out of 434 tons of coir fibre (M$192,460) and 1,948 cwts (M$88,037) out of 26,206 cwts of coir mats (M$1,324,513). The Malayan decision is all the more painful to India, since she is currently running a trade deficit with the Federated States. Both the quantity and the value of exports of coir ropes to Malaya showed a sizable decline in the first quarter of this year at 257 tons (M$197,000) against 310 tons (M$223,000) in the corresponding period of the previous year.

Demand from the U.K. and the Continent has also not come up to expectations. The demand for coir yarn, which was a little ahead of supply in the early part of 1954-55, receded by March, 1955, but prices subsequently showed a tendency to recover. This has not been because of any improvement in the export demand but to the internal demand being fairly good throughout. From June, prices have risen further, and the overall picture for the year promises to be, on the whole, satisfactory.

Altogether Rs. 8.4 crores worth of coir goods were exported from India in 1954-55. This amount was earned from 536 tons of fibre, 10,052,000 cwts. of coir yarn, 292,000 cwts. of mats and mattings and 132,000 cwts. of other products. Though since March, 1954 a customs duty at the rate of 8 annas per cwt. is being collected as a cess on coir fibre and coir yarn, all coir manufactures are free from this levy.

Coir has been, and still is, a monopoly of India. Our present production of coir yarn is estimated at 120,000 tons, and indications are that the production is steadily increasing. On an average, we have been exporting 45,000 tons of coir yarn during the post-war years. Most of the coir yarn exported is used for the manufacture of mats and mattings in the importing countries.

With a view to providing more employment at home, it has been suggested that we should reduce the quantum of exports of coir yarn and increase the exports of coir products. This objective, though good in intentions, bristles with certain difficulties and is not easy of attainment. For one thing, coir is only one of the hard fibres and has to compete with other fibres such as sisal in the international market. Secondly, if what Dr. Franz Wilhelm, President of the Union of European Coir Industry, is reported to have said at Ernakulam recently, is correct, the consumption of coir products in Europe has almost reached the saturation point and the exporter must look for markets elsewhere. If coir yarn export to Europe is restricted in an effort to increase the export of manufactured coir goods, the manufacturers who now use coir yarn might go in for substitutes. During periods of short supplies and high prices, it has been the common practice to use a relatively higher proportion of substitute fibres in place of coir, and this would only result in greater popularisation of the rivals to coir. During the war, for example, coir supplies to Europe were cut off, but that did not prevent the factories there from working with other substitute fibres. The European factories are highly mechanised, and the only way India can compete in the European market is by reducing her cost of production. The growing opposition to rationalisation, however, would seem to make progress in that direction both difficult and slow. Depriving the European manufacturer of coir yarn would thus seem to be the wrong answer to the problem posed by the overseas manufacturers. Experience shows that an expansion of business has the best chance of success if it is channelised in the direction of least resistance. There is, therefore, something to be said in support of the Coir Board's idea that promotional efforts should, in the beginning at least, be directed more to the home market. But this must not be at the cost or neglect of our export markets. Coir is among our few valuable foreign exchange earners and our balance of payments position can ill afford any reduction in the quantum of contribution that coir has been making to the country's foreign exchange budget.

INDO-ITALIAN ECONOMIC RELATIONS

SPOTLIGHTING THE complementary character of the economies of India and Italy, the Consul for Italy in Bombay, held out good prospects for improved trade between the two countries. At an informal meeting of the representatives of the Indian Council of Foreign Trade, held on Thursday (October 20), the Counsul admitted, however, that the balance of trade between the two countries was in favour of Italy. The Industries Fair now being held in New Delhi is an ideal occasion which could be taken advantage of by both India and Italy to stimulate the trade between the two countries particularly for the former to increase her exports to Italy. The main commodities exported to Italy from India include coffee, iron and steel, pepper, cotton waste and other raw materials. Imports into India consist of fruits and vegetables, typewriters, pipes and fittings and motor spirit, the last item, strangely enough, being the single largest item of import.

Despite most of the economic indicators in Italy showing a rise thus, the pattern of Italy's foreign-trade seems to reveal no sign of improvement. Thus, while exports rose only by 9 per cent, as between the first five months of 1954 and the comparable period this year, the value of imports over the same period increased by 23 per cent. Italy's imports from the U.S. have been nearly 50 per cent higher than her exports to America. Besides, her deficits with the European Payments Union have accumulated to such an extent as to entail a $50-million special credit to that country.

All these meant a serious drain on Italy's foreign exchange resources. But, then, thanks to Italy's record tourist receipts, her trade deficits have been more than balanced and her position has been considered sound enough to earn her entry into the E.P.U.'s multi-lateral foreign-exchange arbitrage system.

Of particular interest to this country, which is about to launch a plan to provide 10 to 12 million jobs, is Italy's ambitious Vanoni programme (named after the Budget Minister, Ezio Vanoni), designed to create four million new jobs in Italy in ten years. The programme is still in the planning stage but its psychological and political effects seems to have already manifested themselves. The complete success of this plan, which also seeks to bring about an economic balance between the prosperous North and the underdeveloped South, depends on factors such as Governmental promotion of a programme of investment, a positive fiscal policy that would encourage large-scale savings and restrain higher wage demands by the trade unions, and the quickness with which workers and employers equip themselves with technical know-how. These are issues which have yet to be successfully tackled, but the outlook is undoubtedly encouraging, what with the continued aid from the International Bank for Reconstruction and Development, which recently approved of a loan of $70-million (this is incidentally the largest development loan that the World Bank has made in Europe so far) for projects to increase agricultural production, industrial output and electric power service in Southern Italy. The future of Italian economy indeed bids fair to attract wider world attention and approbation.

MORE GROUNDNUT FOR EXPORT

THERE HAS lately been a steadily growing increase of business on foreign account in respect of castor and groundnut oils, the offtake being shared mainly between the U.S.A. and the U.K. with the Continent occasionally evincing some interest. Locally, to the already existing paucity of floating stocks were added fears of damage to the crop, following the recent heavy rains, and Vanaspati manufacturers and speculators, who were holding back from the market for some time past, were forced to re-enter the market post-haste. As a result, prices in the oilseeds market in Bombay, which had been grinding around unattractively low levels throughout the month of September, perceptibly improved early in October, with the castor futures section touching, for the first time in several months, the Rs. 100-level on Saturday (October 22) and the ruling May contract shooting up by more than five points to record a new high of Rs. 100-8. Prospects of further increased purchases by the U.S.A. at higher rates have led speculators to cash in on the opportunity by dictating their own prices which were naturally lifted up in consequence.

There have been occasions in the past, when, after having been generous to the oilseeds industry and adopting a liberalised export policy, the authorities were obliged to impose strict controls on exports as a safeguard against internal shortages. If a repetition of this state of affairs is to be avoided, as all would desire, it is imperative that prompt measures are taken to ensure an expansion programme which would serve to satisfy the domestic needs, as also those of the export markets. In this context, it is encouraging to note that the President of the Indian Oil Seeds Committee, at its ninth annual general meeting, held in Hyderabad on October 23, disclosed that the Government of India has fixed a target of 75 lakh tons of oilseeds to be achieved by the end of the second Five-Year Plan. This is 27 per cent higher than the target fixed under the first Plan. If the present tempo of production is any indication, the I.C.O.C. President felt, the target could be achieved by laying stress on intensive methods of cultivation and on development of high-yielding varieties. The development programme for oilseeds in the second Plan, it may be mentioned here, envisages an expenditure of Rs. 1.15 crores, which amount includes a sum of Rs. 25 lakhs for expansion of research and evolving new and better varieties of oilseeds, if necessary, by setting up a separate institute for agricultural research on oilseeds. It is for this purpose, in fact, that the Andhra Government has gifted away equipment worth about Rs. 5 lakhs, while the I.C.O.C. has agreed to pay Rs. 3,25,000 towards land and building.

PROTECTION TO ALUMINIUM INDUSTRY

THAT DELAY in taking prompt official action on the import front is bound to hit certain nascent industries is exemplified by the case of the Indian aluminium industry. Although, from 1951 to 1953, no import of aluminium scrap took place, from the very next year, following the Government's policy of placing the material on the O.G.L., there has been a sudden spurt in its import—as much as 2,454 tons in 1954-55 and 354 tons during the first five months of 1955-56. These scraps, imported at cheap prices by re-rollers, were used for the manufacture of utensils of sub-standard quality and purity. The use of impure scrap is obviously not only harmful to consumers but results in unfair competition with the domestic virgin metal and much loss of revenue to the country.

These facts were repeatedly brought to the notice of the Government from 1954 onwards but, as Mr. Lakshmipat Singhania, Chairman of the Aluminium Corporation of India, observed at the 17th annual meeting of the Corporation, it was only on the 1st of this month that the Government acted by removing aluminium scrap from the O.G.L.—though the question of duty is still undecided. The continuation of a realistic import duty for at least another five years will give sufficient time for the domestic industry to make a long-range programme and develop on economic lines.

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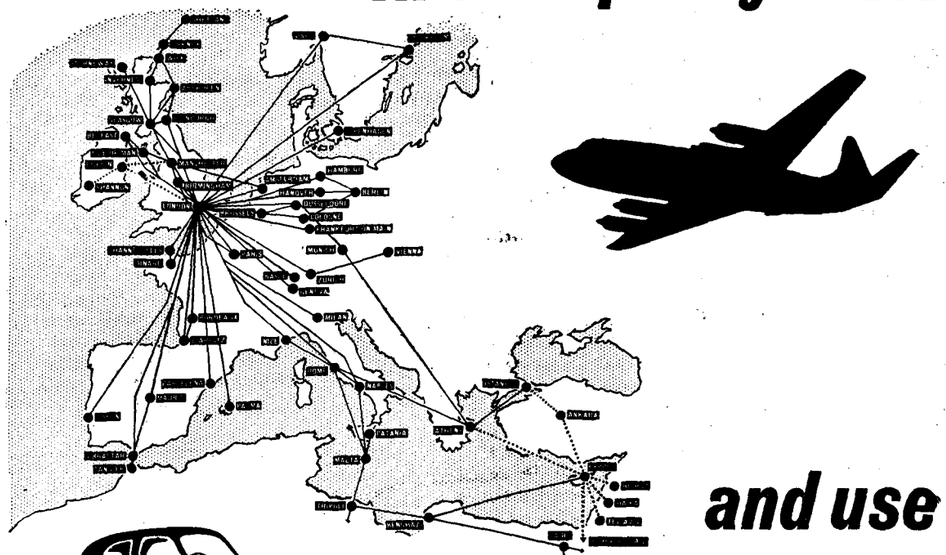
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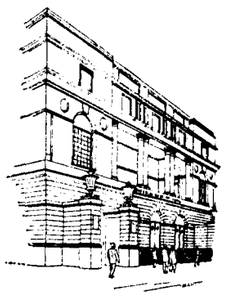
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COMPANY AFFAIRS

TATA POWER COMPANY, LTD.

In contrast to the satisfactory working results of the Tata Hydro-Electric and the Andhra Valley Power Supply companies, both of which recorded an increase in net profit for the year ended 30th June, 1955, the Tata Power Company, Ltd. registered a decline in net profit for the year of 3.59 per cent compared to its net profit of the previous year. Although the total gross revenue of the company was higher by Rs. 34.67 lakhs, which was, in fact, a little over the sum of the increases in gross revenue of the other two companies put together, the increase in total expenses of Tata Power was more by as much as Rs. 30.37 lakhs. Hence the net profit of the Company for the year showed a decrease of Rs. 1,99,064 over the previous year. A contributory factor to the declining profits was the increase in the provision for taxes by Rs. 6.29 lakhs on account of a credit adjustment of Rs. 3.79 lakhs last year for excess provision in previous years.

The sale of energy and revenue for Tata Power during the year at 643,645,182 units and Rs. 1,92,08,434, respectively, compares favourably with those of the previous year at 581,119,441 units and Rs. 1,58,42,591. The energy sold included 68,205,222 units of thermal power yielding a revenue of Rs. 42,30,667 for 1954-55, as against 47,221,736 units yielding a revenue of Rs. 18,10,996 for the preceding year.

As in the case of both Andhra Valley and Tata Hydro, Tata Power also raised fresh capital during the year by issuing new ordinary shares. The final call of Rs. 250 per share on the 15,000 new ordinary shares was made on 27th May, 1955 and the shares became fully paid up on 1st July, 1955, the date scheduled for the payment of the call. In respect of the 4 per cent 1951-55 debentures for Rs. 60 lakhs, the Directors state that the sanction of the holders of these debentures was obtained during the year to extend the date of maturity to 1st July, 1970 and to increase the rate of interest during the period of such extension from 4 per cent to 5 per cent per annum. The Trust Deed securing the debentures has been suitably amended.

BALANCE-SHEET

(In lakhs of Rupees)

Year	Capital	Reserve and Other Funds	Borrowings	Gross Block	Depreciation Fund	Net Block	Investments
1952-53	.. 452.33	91.16	307.73	982.27	245.75	736.52	23.62
1953-54	.. 563.53	98.07	297.73	1020.86	258.89	761.97	48.24
1954-55	.. 589.76	105.30	357.73	1074.61	268.94	805.67	48.24

PROFIT AND LOSS ACCOUNT

Year	Revenue		Expenses	Provision for Depreciation	Provision for Taxation	Net Profit	Contribution to Contingencies Reserve	Transfer to Reserve Fund	Dividends Paid*
	Power Supply	Other Income							
1952-53	127.70	2.68	52.06	13.84	16.08	48.40	2.46	7.00	32.21
1953-54	158.43	3.18	73.78	14.80	17.71	55.32	5.10	1.50	33.85
1954-55	192.09	4.20	103.51	15.45	24.00	53.33	5.37	1.50	36.15**

*After deducting income-tax on Preference dividends.
**Assuming that dividends recommended for the year ended 30th June, 1955, passed by shareholders.

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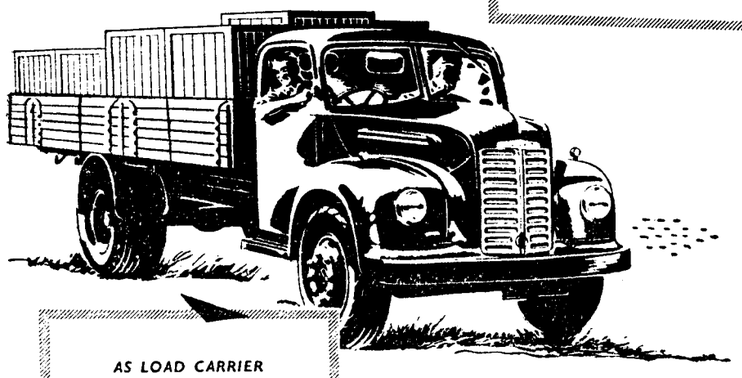
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Company Meeting

ALUMINIUM CORPORATION OF INDIA LTD.

Address delivered by Sri Lakshmipat Singhania who presided over the Seventeenth Annual General Meeting held at Calcutta on Thursday the 20th October, 1955.

Gentlemen,

I have pleasure in welcoming you to the Seventeenth Ordinary General Meeting of the Corporation.

From the accounts and Directors' Report, which have been with you for some time, you would have noted the satisfactory progress the Corporation has made during the year high lighting good labour relations, record production and sales, repayment of a portion of debenture loan before due date, and clearance of arrears of dividend on Preference Shares for 2 years. I am confident that you will also appreciate the devotion of the Managing Agents to this basic industry and their sacrifice in entirely foregoing once again even the office allowance due to them. In the history of Company management, this sacrifice for over a period of seventeen years stands unparalleled.

The one important feature of the market conditions during the year was the import of unprecedently large quantity of aluminium scrap, free of duty, which was classified just like other non-ferrous metal scraps and was placed in open General Licence. As a result, huge quantities of scrap, mostly alloys, were imported at cheap prices by rerollers and used for manufacture of utensils of substandard quality and purity. I give below a statement of imports of scrap for the last five years.

1951-52	.. .. ..	Tons	Nil
1952-53	.. .. ..	„	Nil
1953-54	.. .. ..	„	Nil
1954-55	.. .. ..	„	2,454
1955-56 (5 months)	..	„	354

The dissimilarity between aluminium and other non-ferrous metal scraps is that in case of aluminium there is no difference between scrap and the original virgin metal or its alloys. This fact, together with the harmful effect of use of impure scrap on consumers and unfair competition with domestic virgin metal and huge loss of revenue to the country, was repeatedly brought to the notice of competent Government authorities from July, 1954 onwards. But it is only from the 1st of this month, i.e. 1-10-1955 that the Government has acted by removing aluminium scrap from O.G.L. though the question of duty is still undecided. In the meantime the price of scrap in world market has already soared up due to short supply and the Government action has come only after considerable damage has been done to the indigenous producers of virgin metal like ourselves.

The result of the import of scrap has been a rate war in the sale of circles for utensil manufacture and uneconomic rebates had to be offered by the virgin metal rollers to compete with circles manufactured from low priced imported scrap. The consumers of utensils, however, got no material benefit as there was no reduction in price of utensils; only they got utensils of harmful metal in the bargain. The Government lost not only valuable hard currency but revenue duty also.

The progressively large use of imported as well as domestic scrap for manufacture of utensils confirms my statements in several of previous years' annual addresses that in any scheme of expansion of this industry in India too much emphasis should not be laid on use of virgin metal for utensil manufacture. Heavy engineering industries will have to be developed to use any large production of this metal. It is, however, encouraging to notice that industrial uses of aluminium have started and it is hoped that such demand will grow steadily.

I shall now briefly touch on a few other points of interest to this industry. The first is the ever increasing railway freight. The Railway Act as it stands safeguards only the Railways and not the users of the Railway. The old accepted principle of freight being suited to the material carried has been discarded in favour of freight to suit the end use of the material. For example, freight on petroleum coke which has all along been classified as coal, coke or patent fuel and which we have been getting from Digboi, has been enhanced from Rs. 19-5 per ton to Rs. 65-11 per ton, simply because it is used for production of aluminium metal costing about Rs. 2,800 per ton though the price of the material, i.e. petroleum coke, itself is only Rs. 50 per ton. In fact, the cost of importing the material from the U.S.A. is now cheaper due to increase in railway freight. There is another case of haulage charges for consignments booked as 'smalls'. A sum of Rs. 18 per four wheel wagon is charged on 'smalls' that arrive at or go out of our siding. The Railway has simultaneously restricted booking of 'smalls' as well. The result has been that no consignment exceeding 3 tons can go as 'smalls' and by causing the consignments to be split the Railways earn haulage charges on each consignment. As all these changes come under local rates there is no appeal to any authority and there is no remedy for such acts by the Railway. It is high time that the entire railway policy is revised with a view to safeguarding the interests of industries also.

The second point is the need of broader outlook by the Government for the future development of this industry. So far, by undue criticism of extra capacity for alumina production and short capacity for rolling, what is called 'balanced' production has been forced on the industry with the result that no extra capacity for alumina is now available in this country and many manufacturers of alum and similar products are in difficulty and the Government are now routing enquiries to us to fulfil their needs. The rolling capacities have been increased though no ingots are available and several mills are running under capacity. Much precious time and labour is being devoted in trying to determine costs on theoretical data without viewing the industry on long range basis. I venture to suggest that the Government should concentrate their attention on the following points if this industry has to be developed as recommended in the second Five-Year plan:

(1) Making available to the industry good bauxite bearing properties.

(2) Making available hydro-electric power at economic rates.

(3) Continuance of adequate protection to the industry for a period of another five years.

(4) Financial assistance to the Indian Producers of this metal.

Some of the good and extensive bauxite bearing properties are still being held by parties uninterested in mining and who got the properties for nominal sums on long term lease before changes in Mineral Concession Rules came in force. These persons cannot work the mines, neither do they wish to part with the leases without huge profits, with the consequence that the Government lose revenue from these idle properties and industries suffer for want of suitable raw material. The Mineral Concession Rules empower the Government to take action and both the State and Central Governments should take active interest in exploitation of such properties.

While offering rates for power for manufacture of aluminium, it is necessary to keep in view that large blocks of direct current at low voltage and at over 90 per cent load factor is the actual requirement of the industry and allowances for converting the alternate current at high voltage to the form actually needed should be made, considering the fact that power is one of the important raw materials for production of this metal. Cost of putting up modern hydro-electric power plant is no doubt costly, but costlier still is the putting up of a modern aluminium plant to produce the metal at competitive rate.

A realistic continuation of suitable revenue duty for at least another five years will give sufficient time for the industry to make long range programme and to develop on economic lines. In fact, nearly all the countries in the world which have aluminium industry of their own, are imposing import duties even though they have been producing this metal in large quantities for a long time and are getting power at very cheap rates from hydro-electric installations put up before the war.

Gentlemen, it is truly said that no pioneer is honoured in his own generation or country. What your Corporation has achieved against heavy odds has not been adequately appreciated in India; but the progress made and technological results achieved have surprised even outstanding foreign technicians who have visited and stayed at our factory and have drawn unsolicited appreciation from them.

Aluminium ingot is produced in 22 countries of the world by 36 different companies at 87 plants. Of these 11 companies are Government owned leaving only 25 non-Government companies. Out of these 16 companies are inter connected in groups through incorporative ties or pooled producing or selling operations. This leaves only 9 independent non-Government companies operating 17 plants which have no corporate or operating ties with any other producers and your Corporation has the proud privilege of being one of the nine. Incidentally this is the centenary year of aluminium, your Corporation has the unique distinction of producing first aluminium from Indian Bauxite in this country barely 11 years back.

The difficulties and disadvantages overcome and the technical problems solved in building such a highly technical and closely guarded key industry in such a short time and the confidence gained in doing so cannot be described in words; but the completely integrated Jaykaynagar factory stands as a visible monument for every one to see, to appreciate and to be proud of. I hope that the achievements of this completely Indian organisation will be viewed by the Government in their proper perspective and all out encouragement and assistance will be given to further expand our industry.

Gentlemen, I have now pleasure in moving that the Directors' Report and Audited Accounts for the year ended 31st March, 1955, be adopted,



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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949–50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947–48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948–49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949–50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950–51 ..	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951–52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952–53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953–54 ..	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954–55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February ,, e ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, e ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, e ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115 1
May ,, e ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, e ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, e ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, e ..	317.5	404.2	326.3	371.2	563 1	357.3	90.9	100.7	87.8	122.8
September ,, e ..	313.0	396.1	324.4	368.8	556.1	353.4	90.9	100.7	87.2	122.8
Week Ending										
3-9-1955 ..	318.2*	393.1*	325.5	368.6	561.8	354.7*	90.9	100.7	87.5	123.9
10-9-1955 ..	315.2	392.8	322.9*	368.7	554.2	353.2*	90.8	100.7	87.3	122.5
17-9-1955 ..	312.0	401.0	324.4	369.3	553.3	353.7	90.8	100.7	87.0	122.3
24-9-1955 ..	306.5	397.5	324.8	368.6	554.9	351.0	90.9	100.7	87.1	122.2
1-10-1955 ..	308.3	396.2	325.0*	369.9	560 2	352.1	90.9	100.7	87.3	122.3
8-10-1955	306.4	397.8	329.4	373.4	559.9	353.4	91 0	100.7	87.5	123.5

†Economic Adviser's Series. e Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Delhi†	Bengal	Calcutta	U. P.	Kanpur	Central Provinces	Nagpur	Jubbulpur†	Madras	Madras June 1936= 100	E. P.	Ludhiana†	Bihar	Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	—	—	105		104	—		106		—		—		—
1948	288	303	243	132		339		471		372	146		309		168		136		134
1949	292	307	248	132		348		478		377	151		323		164		138		138
1950	298	313	257	132		349		434		372	153		325		165		145		138
1951	314	330	261	142		370		451		391	168		334		167		160		144
1952	321	337	250	143		351		441		380	150		330		151		154		141
1953	346	363	275	140		349		453		387	151		351		147		156		145
1954	342	359	244	138		327		408		373	139		341		148		140		138
1954 October	346	363	236	141		336		404		369	134		338		145		143		138
November	344	361	235	139		325		387		370	135		337		146		139		135
December	341	352	227	135		321		369		370	128		337		144		135		134
1955 January	335	358	217	132		324		372		370	126		333		141		136		134
February	329	345	210	128		310		384		361	126		326		137		135		131
March	328	340	207	127		310		377		360	129		321		133		133		130
April	324	340	205	126		311		352		353	130		314		129		129		128
May	320	336	204	122		315		335		351	128		307		131		129		127
June	317	333	211	123		317		347		358	131		311		131		129		130
July	324	310	224	129		325		371		—	—		—		—		130		—
August	—	—	—	134		329		375		—	—		—		—		—		—
September	—	—	—	—		—		373		—	—		—		—		—		—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	22-10-1955			15-10-1955			8-10-1955			1-10-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95- 3	94- 4	94-14	94-12	93-10	94- 6	95- 0	94- 2	94-10	96- 0	95- 0	95- 6
Silver (per 100 fine tolas)	170- 8	168- 6	169-14	168- 4	166- 8	167- 9	170- 0	167-12	168-12	170- 4	166- 6	169- 1

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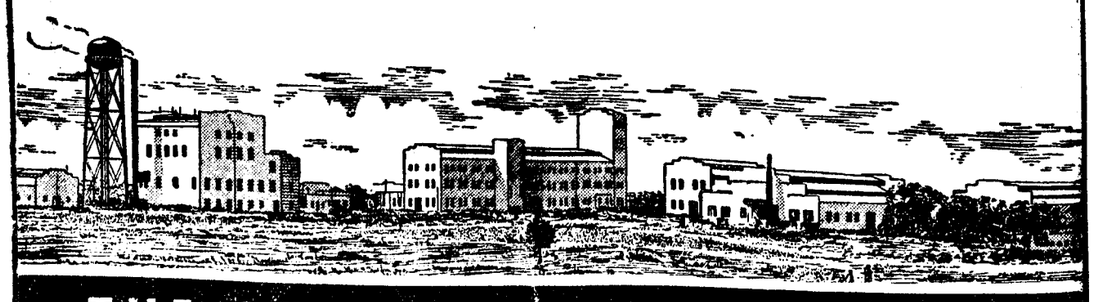
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Resources : the Perils of False Theory

The issue is essentially one of abridgement of an area of personal freedom in drinking habits, based on the anti-social tendencies fostered by excess, though other kinds of excesses are also conceivable which may be equally repugnant to public sentiment but which cannot be separated from the normal life of the citizen. What is normal and should be tolerated, in spite of the scope for abuse, will vary with time and place; and if changing times have permitted a degree of normality in drink which would have been inconceivable earlier at certain social levels, it would be difficult for any section of opinion to claim the right to determine what ought to be the norm in the sphere of personal preferences. It would be quite difficult for a zealous propagandist to appreciate the importance of leaving room for personal predilection in this matter, especially when only a minority of the population is concerned as in this country. Only the dissenting minute of Mr. P. Kodanda Rao poses this moral issue and arrives at the conclusion that "it seems financed has advanced anything in the last five years.

The Finance Minister, although he spoke confidently on the achievements of the last five years, seems to have missed the major attraction of the story he was telling. It was not merely that India can now achieve much higher income targets than those in the first Five-Year Plan. It was that these targets were achieved with far less than the estimated resources. Can it not be that the resources required for the second Plan may not be as the Finance Minister supposes? Even more important, can the estimated shortage of domestic resources under present conditions in India justify taxation as distinguished from further deficit financing? The record of the last five years shows that there was no such justification, and in point of fact the resources available to the Government have at all times been adequate. If anything, the conclusion on the facts should be that purchasing power has been short since there has been a decline in prices: why did

the Planning Commission make such a song and dance about resources five years ago?

At this point a firm dividing line must be drawn. There are two questions which are, and are always to be kept, entirely separate. Firstly there is the problem of domestic finance which has not only been shown to be manageable, but which, as the argument below suggests, is unlikely to present any substantial difficulties in the next five years. The other question, which is very different, is the problem of the foreign exchange gap. It is true that even in the latter case the last five years have been very reassuring; import policy, however, is designed on a far more exacting scale in the next five years. It may be that estimates of the likely foreign exchange gap, which are currently being made are excessive. Mr. G. D. Birla has drawn widespread attention this week to the point that under any policy the finding of the foreign exchange will be a "tough" task. Mr. Birla suggests that with the Government of India's present policy in regard to foreign investment and with the fear of heavy taxation which has entered into British business houses, the position may grow worse in regard to private foreign investment. It is not necessary to accept Mr. Birla's figure on the volume of the future foreign exchange gap. He is almost certainly too pessimistic in his estimates of what is required; a figure of Rs. 1,500 crores might conceivably be twice the net foreign exchange gap to be filled after all probable foreign aid is taken into account. Nevertheless, there is no easy solution to be found here. Foreign exchange, as Mr. Birla says, will present a 'tough task'. But that is no reason why pessimism should invade the issue of domestic resources.

Economic history should be the parent of economic theory; for theory must fit facts and facts are to be found in history. The current theories in Government circles on the finding of resources take no account of what has happened in India in the last five years on the domestic front. Almost certainly the errors of practice have arisen from the fact that most of India's economists—notably those who make Planning Commission's policy—have had too powerful a dose of academic economics in the Universities of Oxford, Cambridge or London where either Marshallian or Keynesian economics has ruled. To our planning the problem of resources is simply a problem of finding finance by added savings or resticted consumption. Production hardly enters into the piece. They cannot see that capacity to take savings and capacity to restrict consumption may be so severely limited that it may be physically impossible to raise even the Rs. 350 crores suggested by the Taxation Enquiry Commission without dislocation greater than the additional resources are worth. The same applies to the extra Rs. 250 crores which the Finance Minister said on Wednesday he considered desirable or necessary.

Why is it necessary to raise resources by taxation instead of by deficit financing? Obviously because deficit financing beyond certain limits produces inflation. Can it be shown that those limits are reached unless taxation is Rs. 600 crores more in the second Plan? Has inflationary pressure been measured with any accuracy in the last five years? If so, is it negative or positive? Can it be positive when prices have significantly declined? Was the petty new taxation of the 1955-56 Budget a step in the solution of the Resources Problem or was it a symbol of the socialistic pattern or both? The country has a right to know why taxation is so necessary when over the last five years additional taxation has been entirely marginal and none of the dire consequences of a shortage of resources prophesied actually materialised.

There is no doubt that there is a strong disposition in the country to look upon taxation in symbolic terms. It is a symbol not only of the socialistic pattern of society; it is a symbol which belongs to "austerity" which in turn belongs to the Gandhian legend. In a sense symbols are not without value in a country which links austerity with social purpose; if is good to recognise that additional taxation may have a social purpose. It is, however, merely confusing to believe that what has a social significance has necessarily economic value. Over the last few years the facts cannot be ignored. With very little additional taxation, —indeed in percentage terms of national income none at all—a significant development programme has been financed. Is it not likely that rising production within the country was greater in deflationary capacity than any conceivable level of deficit financing?

No one should be allowed to preach inflation. Equally at least—if the professions of the Government of India are to be taken seriously—no one should preach deflation. It is not the purpose of the Government of India to allow agricultural prices to drop very much below their present level. What is the appropriate level of deficit financing so as to maintain prices at a level perhaps slightly above those prevailing at the present time? This is the most important question of our time. Much of the answer depends on the rate at which agricultural and industrial production are advancing during the period when deficit financing is being employed.

Unhappily for India at this time no firm estimates exist of the rate at which rises in agricultural and industrial production can absorb different levels of deficit financing, buttressed partly or wholly by a loan policy. Obviously the Finance Minister cannot make any estimate of additional taxation required on either the resources or anti-inflationary side without knowing with some precision what the current output of consumption goods will be in relation to the new money which he has to put into circulation. This is so vitally a component of a financial policy that one must censure all those official theorists who have hitherto treated it as secondary.

With the information available, "The Eastern Economist" has been able to make only a rough estimate of the likely behaviour of deflationary elements in domestic production plus imports of consumption goods and those raw materials such as steel which operate in a deflationary manner. The conclusion reached is that deficit finance might conceivably be employed at a level between Rs. 1,600 to Rs. 2,000 crores over five years without any substantial effect on prices. The assumptions on which this estimate has been based are that agricultural production rises at a rate of about 4 per cent per year on the average and industrial production at a rate of about 10 per cent in the area of consumption goods. If this estimate is broadly correct it would suggest that the Finance Minister's requirements of additional taxation referred to on Wednesday are excessive as a solution of the problem of resources.

The problem of social justice remains, and will need to be settled as circumstances permit. Again it is conceivable that while over the whole period taxation at a high level may not be required, at certain periods to control a potentially inflationary situation it may be necessary to put it on as a temporary brake on prices rising too rapidly. There is also finance required for stocks. It is to be remembered that while the position on food is satisfactory there are dangers in the current cloth situation. But this argument leads to the point not that we need more taxation to restrict purchasing power, but that we need more production to battle against the additional purchasing power which, in any case, will need to be injected. On cloth at least there will be no difficulty in arranging for this to be done. Only cloth politics can prevent the application of the obvious solution. The conclusion on the domestic front is thus reassuring. The volume of domestic output has in the last five years more than cushioned the rise in investment. Over the next five years the situation is likely to be more difficult but since production will also rise more steeply, it may be no worse. If the foreign exchange gap is large because of imports, this merely makes the matter easier on the domestic front because larger imports will supply a deflationary influence within.

All this makes no easier the problem of foreign exchange, which still possesses a hard insoluble core. Results of the British steel negotiations have not been announced and it would appear at the present time that it is premature to be optimistic in supposing that deferred payments can always be concluded on favourable terms. It is likely that deferred payments will form a smaller element in the financing of the second Five-Year Plan than was at one time believed. It is also clear that private foreign capital will tend to restrict its operation in India for some further period. In other words, the foreign exchange gap can only be resolved by a straight political operation. In view of Marshal Bulganin's visit this month it is not necessary to underline how political this operation is likely to be.

The broad conclusions of this discussion may now be set together. The solution of the problem of finding resources is an estimate of the probable limits of deficit financing. This estimate depends on the rate of flow of consumption goods in each of the years of the second Five-Year Plan. Only rough estimates are available. But they suggest that the volume of deficit financing which can be undertaken is significantly larger than the figure which the Finance Minister has tentatively assumed. The first Five-Year Plan shows that it does us no good to be pessimistic on prices; there was a fall in prices in the last five years in spite of largely increased development expenditure. Production is the great deflator; when will this be adequately recognised? One should not plan production, and then assume it is monetarily neutral. That seems to be the Finance Minister's error.

Policy on Prohibition

IN recommending that there should be an unqualified form of nation-wide prohibition by April 1, 1958, the Prohibition Enquiry Committee was only confirming the general expectations based on its composition. The need for a comprehensive enquiry into this question has long been felt because public opinion has not uniformly accepted the case of those who have been the strong champions of prohibition. In Andhra, for example, there was a substantial volume of opinion in favour of the repeal of total prohibition which had been in force for over five years. In Madhya Pradesh there has been a partial reversal of policy. In other areas where total prohibition has not become accepted policy, there has been insufficient enthusiasm to embark on the experiment, though the reasons were partly based on considerations of revenue. An objective inquiry, which could take full account of the opinion against total prohibition, would have been possible only if the terms of reference had been wide and the Committee had been composed of persons who were not identified too much with those who were committed either to support or oppose it. The Planning Commission not only chose persons strongly predisposed towards prohibition as a personal or party creed, but also charged them in advance with the task of making recommendations for a programme for prohibition on a national basis.

The verdict was therefore largely a foregone conclusion, and the only justification for its acceptance by the country, irrespective of the volume of opinion in favour or against, can only lie in the goal of social policy, laid down in Article 47 of the Constitution, of "the prohibition of the consumption, except for medicinal purposes, of intoxicating drinks and of drugs which are injurious to health." This last condition, which should have required positive proof of injury to health, has now been treated as a superfluity. A very curious logic seems to have settled any remaining doubts on the issue. Injury to the health of the addicts has been taken more or less for granted, and the non-addict, who practises the virtue of temperance has been regarded as more dangerous because he is a potential decoy, who could lure others to drink and eventually make some of them addicts. The addicts normally cause a revulsion which, paradoxically enough, made them powerful allies to the zealous prohibitionist. In effect, therefore, there is now a case for prohibition of consumption even by those whose health will not suffer in any demonstrable manner, mainly because of the moral conviction of the reformers that there can be no compromise with what they regard as an unmitigated evil.

The issue is essentially one of abridgement of an area of personal freedom in drinking habits, based on the anti-social tendencies fostered by excess, though other kinds of excesses are also conceivable which may be equally repugnant to public sentiment but which cannot be separated from the normal life of the citizen. What is normal and should be tolerated, in spite of the scope for abuse, will vary with time and place; and if changing times have permitted a degree of normality in drink which would have been inconceivable earlier at certain social levels, it would be difficult for any section of opinion to claim the right to determine what ought to be the norm in the sphere of personal preferences. It would be quite difficult for a zealous propagandist to appreciate the importance of leaving room for personal predilection in this matter, especially when only a minority of the population is concerned as in this country. Only the dissenting minute of Mr. P. Kodanda Rao poses this moral issue and arrives at the conclusion that "it seems to be an unwarranted violence of language and sentiment to stigmatise consumption *per se* as moral turpitude, as a vice, as a sin. Excessive consumption offends the moral conscience of the world, but not moderate consumption."

It is gratifying that this has been said, even if it be as a minority view. It is not less

significant for its being in a minority, because the Committee might itself be said to be in a minority on a wider reckoning. But apart from the moral issue, there is the more practical one of the feasibility of enforcement of total prohibition. The experience in Madras, Andhra and Bombay has raised grave doubts and those who are in charge of administration have cautioned against a sudden plunge into prohibition on a wide scale. The offences brought to book are numerous enough to indicate a large-scale breach; and those not so charged are suspected to be much larger in number. Better enforcement may not be impossible but it may demand a price in terms of money and men and the question is whether this price has to be paid now, diverting attention from other tasks which demand priority. Consumption of illicit liquor and of other substitutes may only prove worse to the health and prosperity of those who indulge in drink in violation of a badly enforced law which could restrict only the freedom of the law-abiding citizen.

These are the real issues involved which have been decided by the Committee with a mixture of moral fervour and wishful thinking. Hitherto, the question of prohibition has been discussed in terms of the loss of revenue to the State Governments engaged in development—a loss which under the second Five-Year Plan is expected to amount to Rs. 125 crores. This aspect, however, seems less relevant to the issue than is commonly believed. There has been general agreement that liquor revenue is a highly regressive type of taxation which should be abolished in any case. There is considerable force in the argument that if the entire purchasing power thus released is spent for purchases of other articles of consumption, some part of this revenue could be recouped by general excise and sales taxes. The only obstacle to such diversion of purchasing power would be the spending of a substantial portion of the money on illicit liquor under a system of poor enforcement. In other words, the illicit distillers may be the legatees of the revenues of State Governments, and their illegal profits would escape even other forms of taxation.

The States have already weak and inelastic sources of revenue and they would be weakened still further by the compulsory abandonment of the liquor excise also. It may be that when thus compelled to forgo the revenue, they would become more zealous in enforcing total prohibition in their States. But if in any State, official or public opinion is not in favour of adopting the Committee's prescription for prohibition, there is no reason why there should, in the name of a nation-wide policy, be moral or legal compulsion to toe the line. It would have been understandable if the Congress as a political party had conducted the inquiry and committed all its branches to a common policy, which in effect it is now. There was no reason for the Planning Commission to take on a party's job and its ideological commitments. Article 47 does not warrant the course that has been now adopted. There is no constitutional basis for a Central mandate; the Directive Principles are simultaneous exhortations to both the State and Central Governments, in which the latter does not appear to have acquired any precedence in authority to enforce such a mandate.

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NEW DELHI

THE WEEK'S NOTES

THE RETURN OF THE EXILES

TWO EXILES, both victims of colonial rule during the last two years, have now returned to their peoples amidst scenes of rejoicing. Many interesting incidents relating to the welcome accorded to the Kabaka Mutesa have appeared in the Press which have demonstrated the great loyalty shown by the people of Buganda to their chief who was the victim of a high-handed colonial policy. The outstanding feature of this episode all along was the lack of bitterness on both sides. The restraint and dignity shown by the young Mutesa was remarkable, particularly because it is generally rare among persons who feel sure of such a solid popular following. At the same time, the British Government did not persist in a course which was proved to have been ill-advised and were quick enough to create the conditions in which a reconciliation was possible without leaving ill-will behind.

The old Sultan of Morocco, who was exiled two years ago, has also returned this week but under different conditions. The French had installed a puppet as Sultan and found that they could not force the people suddenly to switch their loyalty over to a new ruler. It was a futile attempt which was foredoomed to failure in a situation in which nationalist feelings had been deeply aroused by an unimaginative and wooden colonial policy. The lesson in both cases is that the progress of freedom movements cannot be halted or forcibly altered by policies of repression alone. Long after the Prince of Marrakesh, ben Arafa's supporter, had abandoned his old pro-French role, the French-nominated Sultan of Morocco has offered his abdication, in order to leave the way open for the return of the former Sultan. This is a triumph for the popular movement and if the French Government can show the same understanding in dealing with the rest of the problems of French North Africa, which it has now shown, France may yet be able to retrieve her position. The ugly situations created by the settler population in these areas have been responsible for a considerable amount of confusion and hesitation at home. The resilience of British policy has thus been denied to French rule in North Africa.

GERMANY AT GENEVA TALKS

PROPOSALS AND counter-proposals on the twin problems of Germany's reunification and a European security system are flowing from both the Western bloc and the Soviet Union at the current Big Four Foreign Ministers' Conference at Geneva. Yet, neither side seems to be moving from its fundamental position and the difference is only in the novelty of the manner in which new suggestions are put forward. Briefly, the Western plan is that, after simultaneous acceptance of the principles of a security pact and German reunification, the various stages of the security pact would become effective progressively with the various phases of the reunification plan. While the Western Powers do not now insist on giving precedence to unification over a security pact, from the Russian viewpoint, adequate guarantees against revival of German militarism should precede unification which should be a subject for discussion between representatives of the two zones of Germany. The Soviet plan does not provide any concrete proposals for reunification; on the contrary it would perpetuate the division.

Again, the Soviet objection to a united Germany's possible participation in the NATO, which, according to them, is itself a cause of their fear, is irreconcilable with the Western view which holds that NATO without Germany would be meaningless. The Russians had proposed that military groupings like NATO and the rival Warsaw Pact should continue to remain in force for two or three years, after which they should be dissolved and replaced by a new 50-year treaty covering Europe as a whole. But Western Powers fear that Russia could disregard such a guarantee at will, and cannot possibly offer security to Russia by abandoning their own.

Thus, military groupings are the heart of the problem and neither side trusts the other. Perhaps the best guarantee for European peace and security would be a neutralised united Germany, independent of both sides. Since that would mean considerable diminution of future Western European defence arrangements, Russia should be able to offer comparable reductions in her military might. Such a course would, in all probability, be acceptable to the German people who may desire early unification. But any formula that may be found will have to be carefully considered before it is put to the test of actual implementation.

NEPALESE ROYALTY

ON SUNDAY, King Mahendra of Nepal will visit India for a long stay which will be specially welcome as the Nepalese royalty has endeared itself to Indians because of the role played by the late King Tribhuvan in effecting a peaceful change in Nepal and in cementing relations with India. King Mahendra carries a wise head on young shoulders and his policies so far have had a healing effect in Nepal's troubled politics. It was hoped that he would also succeed in forming a coalition government before his departure and the postponement of talks for the setting up of a representative government in Nepal has been disappointing. The King has said that the leaders of the Nepal Congress, the Nepali National Congress and the Praja Parishad, the three parties to form a coalition government, have failed to agree on details between themselves. It was perhaps not the details that were important, but an agreed common programme for the Government to follow in the best interests of the country. Since, apparently, they have not chalked out any such programme, this would suggest that the parties are interested more in the prestige of office than in utilising it as an opportunity to give the country an efficient and democratic administration and prepare it for the elections proposed to be held after two years.

The progress of Nepal is linked in many ways with the friendly assistance and guidance which India has always been ready and willing to offer. There are some modest achievements already and the King's sojourn in India would help to show him the numerous ways in which the task of development is being attempted in areas where conditions similar to those of Nepal exist. It is only when the message of economic progress is carried to the Nepalese people to enthuse them that wrangling politicians can be shown their proper place.

CANADIAN AID TO INDIA

MR. LESTER B. PEARSON, Canada's Minister for External Affairs recently opened the Mayurakshi Dam, West Bengal, for the construction of which Canada has made substantial contribution. Mr. Pearson is visiting Delhi this week-end and it is appropriate to recall on this occasion the Canadian assistance to India under the Colombo Plan and the utilisation of such aid by India. The total aid authorised and promised by the Government of Canada as capital assistance to India for India's Five-Year Plan comes approximately to $77 million or Rs. 37 crores. The assistance has been provided both in the shape of commodities for sale and equipment for projects in the Five-Year Plan. In the first two years of the Plan the assistance consisted mainly of commodities like wheat and raw materials. An amount of $15 million was utilised in the first two years for the supply of wheat and the

rupee proceeds realised were allocated for expenditure on the Mayurakshi Project. In addition, the Mayurakshi Project is being directly assisted by the supply of electrical equipment from Canada, and an amount of $3 million has been set aside for this purpose. The dam has already been completed and water let out for irrigation. It is expected that the power station will be commissioned by the middle of 1956.

In 1951-52 a sum of $4.5 million was utilised for the supply of vehicles to the Bombay State Road Transport Corporation. All the vehicles were received by 1953-54 and the fleet of 835 vehicles is in full service. Direct assistance has also been provided from Canada for the rehabilitation programme of Indian railways. Fifty-six locomotive boilers were supplied to the Railways and the rupee proceeds were also allocated for expenditure on the Mayurakshi Project.

Canadian assistance has been made available for the development of power both through the supply of raw materials and equipment manufactured in Canada. An amount of $5 million was set apart from the 1952-53 allocation to be utilised for the supply of raw copper and aluminium bars for the cable and wire industry in India. The Umtru Hydro-Electric Project in Assam State is receiving capital assistance from Canada. The electrical equipment is being supplied directly from Canada, at an estimated expenditure of $1.2 million. Canada will also supply soon small diesel generating sets ($3 million) for rural electrification.

The most outstanding of all will be the Atomic Research Centre in Bombay. A reactor of the NRX type, estimated to cost about $7 million will be obtained. Other projects for the utilisation of assistance earmarked for 1955-56 have already been discussed and they are expected to be finalised shortly. It is expected that a major part of the allocation will be utilised for a power project. It is a record of fruitful co-operation which has strengthened relations between the two countries.

DIFFICULT DAYS FOR DIEM?

IN THEIR manoeuvres for mutual exclusion, Ngo Dinh Diem has not only succeeded in overthrowing the shadow that was Bao Dai, but has also won quick recognition from some major Powers including, surprisingly, that of France. The absentee Emperor, who had sided with the Japanese, the Communists and the French, in turn, could never gain any sympathy of his people, partly because he never sought it. The Diem regime also has not perhaps made any signal contribution to the nation's well-being and consequently has not earned the willing loyalty or support of the bulk of the population. Mr. Diem's recent success at the referendum, helped by such authority as the control over the army and the police gave, cannot be regarded as a great popular verdict and should, perhaps, be read more as a choice of the lesser evil than as a positive vote of confidence. Mr. Diem is, however, relying on U.S. support which he can continue to enjoy. But whether his new position will give him a greater sense of responsibility may be doubted.

There are already some indications of such tendencies. Mr. Diem's decision to hold independent elections in the South is a bid to stall, more than ever before, the unification of the country by nationwide elections in accordance with the terms of the Geneva Agreement. This, indeed, is an unfortunate development. There is much sense in the view that North and South Viet-Nam must "reduce their enmity and cooperate loyally in the higher interests of the country", even though expressed by the discredited Bao Dai. The U.K. and the U.S.S.R. as co-Chairmen of the Geneva Conference on Indo-China, and India as the Chairman of the International Supervisory Commission, have had special obligations in seeing the terms of the Agreement implemented. But the circumstances have altered greatly and it is doubtful whether the Commission can serve any purpose in the new atmosphere.

BRIDGING EAST-WEST GAP

IT IS in keeping with the recent improvement in the relations between the Communists and the free world that the Western Ministers, now meeting in Geneva, have put forward a 17-point plan for the promotion of greater East-West friendship, trade and understanding. This switch-over is all the more welcome in the face of the deadlock during the earlier sessions on the Foreign Ministers' rival plans for ensuring lasting peace in Europe. The new plan includes civil aviation agreements, under which Soviet passenger planes could land in Western countries and "vice versa", and increased tourist travel, cultural, sporting and scientific exchange visits, as well as the opening of information centres in each other's capitals. The sincerity of purpose behind these moves has been promptly demonstrated by Mr. Dulles who has announced that the U.S. Government has removed, with immediate effect, passport restrictions imposed in 1952 on the travel of Americans in Eastern Europe.

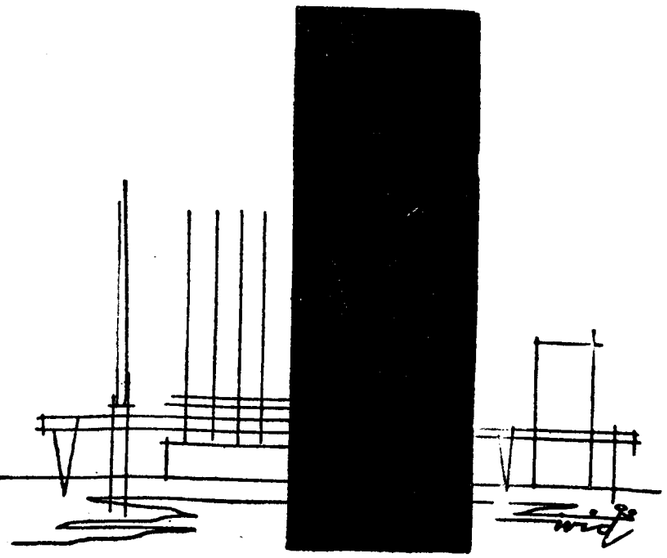
This gesture should evoke wholehearted and ready response from the Soviet Union in an equally generous measure, and it is an encouraging sign that Mr. Molotov's counter-proposals are not materially different from the Western plan. The Soviet Foreign Minister has proposed that the existing obstacles to, and restrictions on, international trade should be removed and the principle of the most-favoured nation treatment applied to the fields of trade and navigation. His proposals also include encouragement of exchange of delegations and visits of specialists in industry, agriculture and trade, as well as development of cultural relations. Gratifying as these moves are, it will be idle to ignore the artificial nature of the contacts between the two power blocs resulting from their divergent political ideologies. There is no doubt, however, that interchange of ideas, peoples and goods is the surest means of increasing confidence and understanding, and the present proposals will bear fruit if they are adopted by both sides and implemented in the right spirit.

THE CHANCES FOR INDONESIA

IT WAS heartening to know from the Indonesian Vice-President, Dr. Mohammad Hatta, at a Press conference recently, that in his country all the parties were more or less agreed on foreign policy. He further disclosed that, of the four major parties that the recent general elections in Indonesia have thrown up, the moderate Masjumi and the conservative Nahdat Ulema were opposed to forming a coalition with the Communists. Chances are, therefore, bright for the progressive Nationalists to coalesce with the Masjumi and the Nahdat Ulema and include a few smaller groups, to replace the present 18-party coalition Government. If such a coalition, which will be drawn from nearly 80 per cent of the people's representatives, could succeed it will make for greater political stability. The leaders will then be provided an opportunity for concentrating on the much-needed general development of the country.

The Indonesian Vice-President's visit to the different parts of India is in itself an indicator that the Indonesian leaders are keen on putting their country on the path to economic progress. According to him, internal migration, that is, moving people from the thickly populated Java to other thinly populated islands of the archipelago, industrialisation of the country and attainment of self-sufficiency in food, are the three main problems that would call for immediate attention. His reference to the establishment of a Planning Board in Indonesia means that the country's leaders are seriously thinking of tackling such problems on a planned basis. What Dr. Hatta said has generated the hope that the current political climate in Indonesia is congenial for determined and effective steps towards her internal consolidation.

GERMANY



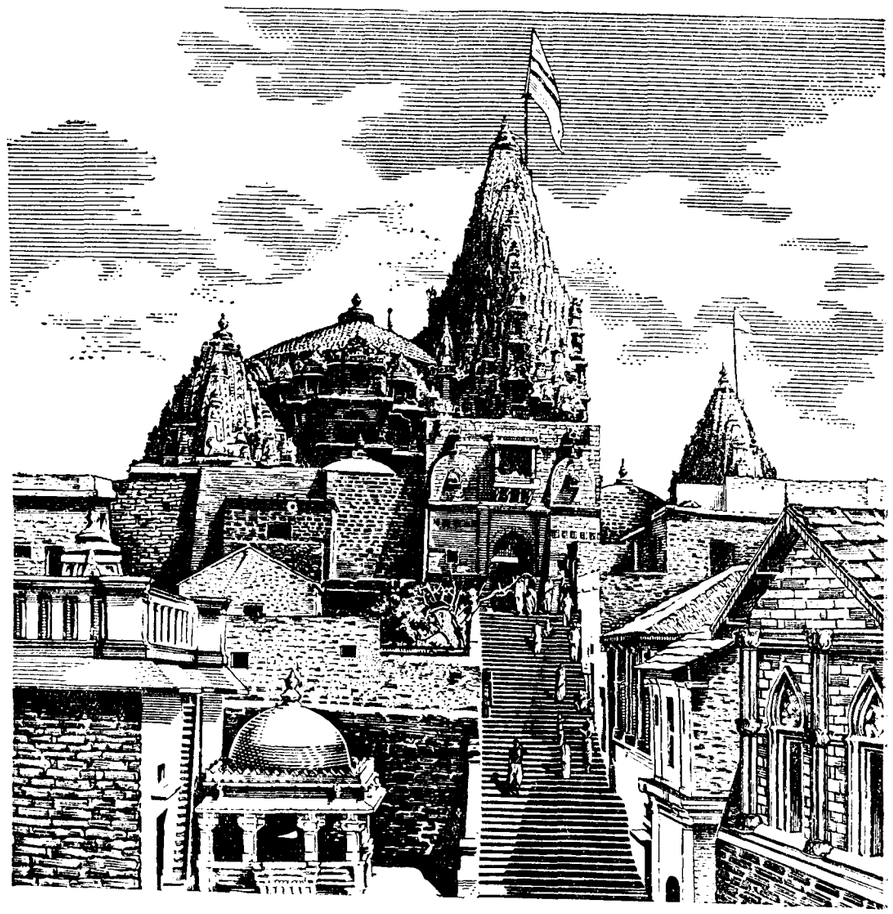
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A Window on the World

GANDHIJI WITHOUT JAMNALALJI?

By

ODYSSEUS

I AGREE that many of the extensions in the functions of the state that have taken place since the era of Welfarism began have been valuable, particularly those which create greater equality of opportunity, but as I also believe that the preservation of the freedom of the individual citizen is of fundamental importance, I am anxious that these extensions should take place amidst sufficient checks and balances to prevent them from dominating the economy. Although the absolute area of state activity may properly increase, it should not increase relatively over all.

In fact, however, the states of the free world have been steadily diminishing the area of the individual's freedom and increasing the area of their control. They have done this not so much by overt policies of socialism, which might arouse resistance, as by unobtrusively concentrating more and more power on themselves through taxation. If this process is not recognised, attacked, and halted, it must be only a matter of time before there will remain in all the democracies only one porperty owner and only one employer, only one patron of the arts and only one arbiter of opinion that it is permitted to assert aloud—the state, which means—God save us all!—control by impersonal committees of anonymous civil servants.

The main burden of taxation arises from government policies; the burden due to administrative costs is relatively small, e.g., subsidies to agriculture in Britain cost £300,000,000, of which but £16,000,000 are the costs of the machine. What then, asks Professor Lionel Robbins in the October issue of Lloyds Bank Review, are the prospects of economies in the sphere of policy? No economies, he says, are practical in the national debt, and until the USSR's peaceful declarations are turned into deeds, defence expenditure must be maintained. Incidentally, if any criticise this view of western defence expenditure, they may perhaps appreciate the Professor's point if they consider how any proposal substantially to reduce India's armaments unilaterally without a corresponding reduction in Pakistan armaments would be received. To resume, Professor Robbins rules out substantial cuts in welfare benefits as impractical. Finally, in the matter of subsidies in the British economy, it seems clear that there is a large margin for cuts which would benefit both consumers and tax payers, but Professor Robbins believes that politics, and vested interests receiving these subsidies, will prevent cuts.

HOLD EXPENDITURE: INCREASE PRODUCTION

The one way of easing the tax payer's burden therefore lies in the gradual increase in the volume of production and in simultaneously resisting any increase of public expenditure (unless commensurately decreased under another head). Assuming an increase of British production of 2 per cent a year, it is calculated that by 1964 government expenditure as a percentage of Britain's gross national product would fall from the 34 per cent of 1953 to 29 per cent, and by 1979 to 22 per cent. These are substantial reductions, but Professor Robbins points out that the underlying assumption is all important: that the British Government does not increase its overall commitments and, I would add, does not allow the pound to depreciate further.

Any relief by increased national production and avoidance of increased state expenditure, in India as in Britain, lies some way ahead in the future. At present, failing major changes in policy, hope of making the tax system work towards less totalitarian results lies in changes in the tax structure.

If we concede that some progressiveness is desirable in taxation, it does not follow that all scales of progression are desirable. "And," says Professor Robbins, "I think it about time that someone who is not deeply involved personally, having chosen a different way of life, should say bluntly that the higher reaches of our own progression are quite indefensible save on avowedly confiscatory theory. So far as earned income is involved, they constitute a discrimination against enterprise and ability such as has never before existed for any long time in any large-scale civilized community. Certainly they are not dictated by the needs of revenue: the upper rates of sur-tax could be cancelled without creating any very severe budgetary problem. The most that can be said in their defence is that they were brought into existence at a time of crisis when they did not seem—and indeed were not—inappropriate to the needs of the situation and that, now that the crisis has passed, they have continued to exist because those who rule over us have been afraid to challenge the purely demagogic arguments by which they are usually supported."

Important as are the effects on incentive of extreme progression, they are less important than the effects on the economic and social structure. In Britain, for example, the number of net incomes (i.e. after tax) over £6,000 (Rs. 78,000) a year is now less than 200, and everyone seems to think that the revolution that this implies is without question good.

Like Professor Robbins, I can take a detached view because I belong to the salaried class and not to the risk takers who have (or ought to have) the incentive of making a fortune, and therefore, like him, I confess that the thought that it is now impossible to build a fortune on the scale of a Tata, Birla, Nuffield, Ford, or Rockefeller, does not inspire in me the glow of satisfaction that it seems to inspire in so many contemporary breasts.

PROFITS OF PRIVATE ENTERPRISE

Is it good that there should no longer be any substantial blocks of individual wealth whose owners can defy fashion, foster minority or other causes that appeal to them, and support the eccentric, the unpopular, or the saint? Is it good that there can no longer be benefactions of the kind that gave to Britain the Courtauld pictures and the Courtauld Institute, to America Yale University, and to India the Birla Education Trust? To take the example nearest home, how many people realise that the Birla Education Trust has since its foundation in 1929 spent out of the profits of private enterprise Rs. 1,56,70,000 in buildings and equipment for schools and colleges educating 6,238 boys and girls from primary to post-graduate studies in every subject from the art to electronics? How many know that the recurring cost of maintaining these students is

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Rs. 16,47,018 a year of which no less than 35 per cent is ıid by the Trust? When we take pride in the fact at this is an Indian venture which stands comparison ith the great philanthropies of Britain and America,) we realise that it is a venture that can never be ·peated and which must within a relatively few years ɔ taken over by the state? Why not? demands the ɔcialist. Because the essence of progress in educaon (as in industry) is experiment, variety, departures ·om the safe middle of the road which, if successful dd a Montessori system or a Dalton plan to educational ractice (or the aeroplane to transport). But for every uccess, a score of failures are necessary and it is these /hich can be withstood without wavering by the pasionate individual pioneer, but which send shudders .own the civil servant's back because they offer prosɔects of hostile questions in parliament and the loss ·f reputations. Does anyone today stop to ask how ar Mahatma Gandhi could have made his unique conribution to India's national and spiritual life if he had ıot had the constant and generous material support of vealthy industrialists like Jamnalal Bajaj, and others? Does anyone still believe that civil disobedience cost ıothing to run? Without the aid of the millionaires ndependence might have been retarded by twenty ·ears.

I agree with Robbins that in pre-Welfare days the provision made by owners of private wealth for the cultural needs of the nation was not all that could have been wished and that there was need for the state to supplement it. But today's situation in which there are increasingly no sources of initiative save the state is at least as bad as a situation in which the individual sources were inadequate. Nor are the consequences limited to the cultural sphere: the difficulty of accumulating even a small fortune must profoundly affect the organisation of business: it becomes ever more difficult for innovation to develop save within established corporate enterprises, and more and more accumulation will occur in large concerns which (as the result of individual enterprise in the past) managed to get started before the ice age descended. If we are not deliberately working for a time when all will be run by the state, is it desirable that that time should be tremendously hastened by means of a tax system which is the result not of the ineluctable laws of physics but of easily modified votes in the Lok Sabha, the House of Commons, or the U.S. Congress? If our ideal is not universal state control but a property-owning democracy, are we to condone a tax system which is working all the time against our ideal?

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In the Valley of Decision

MEDIATION ON TELCO'S TROUBLES

IN the three-sided controversy which has just started on the question of the prices paid by the Railways for Telco metre-gauge locomotives, no conclusive opinion can be forthcoming until the Tariff Commission makes its report on the basis of a detailed investigation. The Public Accounts Committee has taken a rather severe view of the prices demanded by Telco, which are much higher than either the landed cost of metre-gauge locomotives or the present cost of production, at Chittaranjan, of broad-gauge engines. Mr. J. R. D. Tata presented, at the Company's annual meeting last month, Telco's case, incidentally setting a standard for such friendly controversies between the public and the private sectors which should serve as a good model. The Railway Board is more or less in both camps and it may well be that, in the event, the Board will prove a successful mediator but, it has received some brickbats from both sides.

It is not now necessary to anticipate the Tariff Commission's possible conclusions. Some details of the problem may, however, be set out to correct perspectives. Telco's average price per M.G. locomotive now works out to Rs. 5.9 lakhs, against the landed cost of imported locomotives which varies from about Rs. 3.2 lakhs to Rs. 3.6 lakhs—a difference which cannot but invite close scrutiny. Chittaranjan alone offers a valid basis of local comparison for an infant Indian industry; and here it is observed that production cost per B.G. locomotive has been steadily brought down from Rs. 9.65 lakhs in 1951-52 to about Rs. 5.62 lakhs this year, against a landed cost of about Rs. 5.3 lakhs for comparable foreign makes.

Prima facie, this comparison is not flattering to Telco, which has an almost equal standing in point of time. Mr. Tata's case was that neither the landed cost nor the Chittaranjan cost provides a fair basis of comparison, the former because of the concealed subsidies and competitive (almost cut-throat) prices of the foreign exporters and the latter, because of the special position enjoyed by Chittaranjan as a public sector favourite. In other words, until an identical private unit is created, there would be no comparison possible at all. That, perhaps, is asking for too much. Foreign exporters are not everywhere subsidised (even though they enjoy the advantages arising from being long in the field) and not every exporter will sell at a loss, considering that British loco-makers have recently been out of the field when they saw they could not quote low enough. The landed cost of M.G. locos of various countries tends, however, to be approximately equal. The fact that if the cost of the W. G. Chittaranjan locomotive is suitably converted on a M. G. basis, the price will not be much higher lends support to the theory that Telco's costs are unreasonably high.

If Telco could have claimed that there was only negligible scope for improving the efficiency of its plant, it might have a strong basis for its contention. Mr. Tata, however, has candidly admitted delays in expanding the project and the existence of surplus labour and high wage costs. It was not quite fair that until some of these major handicaps were remedied, he should have implied that Chittaranjan was being accorded a special position without specifying the exact nature of the preferential treatment. Chittaranjan's capital of about Rs. 15 crores includes the outlay on the housing colony (which is nearly half of the total) and a working capital of over Rs. 6 crores is also being taken into account in computing costs. It is also clear that the trained workmen taken over by Chittaranjan from railway workshops were only about 10 per cent of the labour force and an excellent system of training has been established which adds to its credit. If productivity has been higher because of the amenities, training and proper factory lay-out—then the public sector certainly deserves all the praise. It may not be possible to generalise on the virtues of Chittaranjan any more than it is possible to generalise on the deficiencies of the Jalahalli machine-tool unit, but in a specific case of achievement there is no need to be grudging in one's approval. Nor can it be said that the Government has hesitated to assist Telco. Government did not choose to take over Telco when it could have done so in 1949 without difficulty, but instead gave it a loan of Rs. 2 crores and besides offered a revolving credit of Rs. 80 lakhs to enable the Company to pay for components imported from Germany. Telco was also permitted to use moneys due to be paid into a development fund in order to find finance and the development period was extended from time to time. And, as Mr. Tata has fairly enough conceded, the Financial Commissioner for Railways has been ready to defend these concessions against narrower interpretations given before the P.A.C.

In these circumstances, it was perhaps unnecessary for Mr. Tata to have found fault with the system of Railway inspections of Telco's manufacture or with the nature of orders placed, to find reasons for Telco's higher costs. The country will demand nothing less than the highest standards of inspection for locomotives and it is gratifying to learn that they do not differ either at Chittaranjan or at any of the numerous other places abroad from which locomotives are purchased from private manufacturers. The Railway Board's case on the orders placed is that among the seven types of spare boilers ordered, the numbers were considerably in excess of the economic minimum of ten needed for any single type. In any case, these are secondary matters which need not have been brought in when on all matters the Railways have played fair with Telco.

The Railways have defended, against criticism from the P. A. C., the concessions relating to special additional allowances given under the income-tax rules during the development period when the Company did not make profits. These have resulted, in effect, in advance payments, of about Rs. 1.14 crores, (in a total payment of about Rs. 7 crores until March 1955 as the price of 129 locomotives and 302 boilers supplied by Telco till then.) One view is that depreciation based on the life of the plant (not on income-tax rules) should have been calculated in costs of production. If these advance payments, were to be deducted, costs might have been about 12½ per cent less. The rest would depend on increasing productivity.

On this aspect, the major question that agitated the P.A.C. was how far Telco's subsidiary business of manufacture of Mercedes-Benz diesel trucks in the Telco plant has affected (a) the progress towards reaching full production of 100 M.G. locomotives, and (b) labour costs, by inadequate separation of the costs of man and machine hours spent on trucks and other orders. The Railways have been aware of the benefits to the firm in its subsidiary business but they were consciously permitted because Government regarded diesel truck manufacture also as important in the national interest and were ready to permit the allocation of all idle hours, training costs, etc., to the locomotive shop. This cannot naturally satisfy the exacting accounting standards of the P.A.C. But nothing is lost while the candle burns, as the proverb goes; and there must be appreciation of the fact that there was imagination enough in the Railway Board to take a broad view of the national interest in assisting the private sector on the diesel project. It was a good precedent in co-operation between the sectors which should be commended and followed more widely instead of being discouraged by criticism. But it is time for Telco to put its affairs in order and raise its productivity.

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AGRICULTURE

Food Situation in the ECAFE Region: The 1954-55 cereals production in the ECAFE region (excluding Afghanistan and mainland China) dropped to 113.7 million tons as against 117.5 million tons in 1953-54, but was still appreciably higher than in the 1948-53 period and also substantially above the average for the immediately pre-war years. The drop in the region's rice production by over 4.8 million tons was not so much due to smaller crops in the exporting countries but was mainly caused by a decline in the Indian crop by 3.4 million tons. Burma, in fact, has increased her production and once again become the region's largest rice exporter.

*

British Tractor Equipment for Yugoslavia: Two important and significant contracts were signed on October 19, which provide for the progressive manufacture in Yugoslavia of Ferguson tractors and implements and Massey-Harris combine harvesters. The tractors and one model of combine will be powered by engines manufactured by F. Perkins, Ltd., of Peterborough, England. The agreement will result in the speeding up of the mechanisation of Yugoslav agriculture by British equipment. At present, Yugoslavia has a negligible number of combines, and only one tractor per 1,200 cultivated acres, as compared with a density in the United Kingdom of one tractor per 60 acres. Today there is a total of some 15,000 tractors in Yugoslavia, but only about half of these are in working order, due to the lack of spare parts and service facilities. Under the terms of the contract, Massey-Harris-Ferguson will ship to Yugoslavia between now and the end of the year 900 Ferguson tractors and 2,000 Ferguson implements. A further 2,800 Ferguson tractors and 9,000 Ferguson implements, together with 11,000 accessories and approximately 100 Massey-Harris combines, will be shipped in 1956. In addition to these shipments, the local manufacture of tractors, implements, and combines will be undertaken progressively under licence. Thus, over the next few years Yugoslavia's agriculture will be given a new basis for further development. The value of the Ferguson contract is estimated at £4,250,000.

INDUSTRY

New-Type Sterilizer Steps Up Cannery Output: For fruit and vegetable canneries, a London firm has recently introduced an entirely new design of hydrostatic sterilizer which, it says, is capable of considerably greater output than standard equipment currently in use. Features have been incorporated in the heater, sterilizing, and cooling cycles to give an improved process resulting, it is claimed, in a much higher-quality pack of canned goods of the more delicate type—such as peas or fruit. The twin feed and discharge mechanism (one of the most important single items of any machine) is said to be remarkable for its simplicity of operation and construction. It is synchronized with the vertical movement of the can carriers, and is perhaps the least complicated device of its type at present in use in the canning industry. A principal feature of the hydrostatic system is that the internal and external pressures and temperatures acting on the can are automatically synchronized throughout the whole process, thus preventing sudden changes which would damage delicate canned products.

*

New Extraction Process in Gold-Mining: Gold-mining companies and others are showing considerable interest in a new extraction process that is under development at the U.K. Chemical Research Laboratory at Teddington, Middlesex. It is said that if it fulfils the hopes that results so far have raised, it will increase and cheapen the production of gold, and will bring back into use goldfields that have been abandoned as uneconomic. A pilot plant designed to apply the new process has been built in Southern Rhodesia by a British firm, and is said to be operating satisfactorily. The new process bypasses several stage of the old—among them the mixing-in of zinc dust—by the use of a bed of synthetic resin. The synthetic resin readily absorbs the gold, thus greatly reducing handling and the losses caused by handling. The resin also absorbs other metals—notably nickel (which in present processes goes to waste). Sufficient nickel has been recovered by the pilot plant to help appreciably in meeting operating costs.

*

Sulphur From Sewage: For some time British scientists have known how to produce sulphur compounds from sewage sludge, but the process stopped the production of methane gas, which is valuable as fuel. That limitation has now been overcome, and they can obtain from the sludge both the sulphur compounds and the methane. By introducing certain kinds of bacteria into the sludge and applying certain processes, they can produce a gas mixture containing methane and sulphide. "From this", says Dr. John Postgate, one of the scientists concerned with the research, "it is perfectly economic to recover sulphur". Dr. Postgate points out that the new process of extraction will not supply the world's sulphur needs, but will at best be "a marginal recovery process". Research began in 1950, when Dr. Postgate and Mr. Kenneth Butlin, both of the microbiology section of the Chemical Research Laboratory at Teddington, Middlesex, went out to Cyrenaica in Libya, to examine lakes there that produce sulphur continuously. They discovered that the cause was two different groups of bacteria. It was one of these groups, though of a different strain, that they used in their experiments.

FINANCE

Development of Handicrafts: Further grants and loans totalling over Rs. 2,42,000 have been sanctioned by the Government of India to the All-India Handicrafts Board and four States—Madras, Punjab, Assam and West Bengal—for the development of handicrafts. The All-India Handicrafts Board has been sanctioned an advance of Rs. 75,000 for holding simultaneously a handicrafts exhibition and a pageant in dance, drama and music at Bombay during 1956. The amount is to be utilized mostly for the purchase of exhibits. The Board gets a grant of Rs. 15,000 in addition for organising the pageant. On the recommendation of the Board, Madras has been sanctioned a loan of Rs. 57,900 and three grants amounting to about Rs. 16,000. The loan and a grant of Rs. 4,655 are to be utilised for the development of a production centre for bamboo articles at Chinna Salem. A sum of Rs. 7,000 as grant is to be given to the Women's Co-operative Cottage Industries Society, Mangalore, for implementing a scheme for training and garment making. A grant of Rs. 2,000 is to be given to Kalakshetra, Madras, for the establishment of a dye-research laboratory at Adyar. A loan of Rs. 54,800 and a grant of Rs. 6,360 is sanctioned to Punjab for the setting up of a screen printing centre at Hoshiarpur. Assam gets a loan of Rs. 12,000 and a grant of Rs. 3,000 for setting up emporia for handicraft goods. For the development of horn industry, West Bengal has been given a grant of over Rs. 4,800.

*

West Pakistan Government to Pay Interest on Securities of Loans: The following notification has been

issued by the Government of West Pakistan in respect of payment of interest, etc., on loans issued by the Governments of undivided Punjab, West Punjab, N.-W.F.P. and Sind: In accordance with the provisions of section 9 of the Establishment of West Pakistan Act, 1955, the Government of West Pakistan has assumed the liability for payment of interest on and discharge value of the securities of the loans issued by the Governments of undivided Punjab, West Punjab, N.-W.F.P. and Sind on the terms and conditions mentioned in the relative loan Notification. The interest on and discharge value of the securities of the loans, issued by the Government of Punjab (Pak.) and N.-W.F.P., in terms of their relative loan notifications are payable at any treasury sub-treasury in the areas which, before the date of establishment of the Province of West Pakistan, constituted the Provinces of Punjab (Pak.) and N.-W.F.P. respectively and at Public Debt Offices at Karachi, Lahore and Dacca. The Government of West Pakistan is pleased to direct that interest on and discharge value of these securities shall now be payable at any treasury sub-treasury in the province of West Pakistan and at Public Debt Ofiices at Karachi, Lahore and Dacca.

The Securities of 3 per cent Sind Government Loan, 1958 in terms of the relative notification can be enfaced for payment of interest and discharge value at any treasury sub-treasury in the province of Sind and Public Debt Offices, Bombay, Calcutta, Delhi and Madras. While change of enfacements of these securities from Pakistan to India is no longer permitted, existing enfacements at Public Debt Offices, Bombay, Calcutta, Madras and Delhi, will continue to be recognised. Existing enfacement at treasuries sub-treasuries in the area which before the date of establishment of the Province of West Pakistan, constituted the province of Sind and at the Public Debt Offices at Karachi, Lahore and Dacca will also continue to be recognised. The Government of West Pakistan is pleased to direct further that these securities will hereafter be allowed to be enfaced at all the treasuries and sub-treasuries in West Pakistan.

In terms of the Government of undivided Punjab Notification, interest on and discharge value of loans mentioned there-against are payable at the Public Debt Offices at Bombay, Madras, Delhi and Calcutta and at treasuries and sub-treasuries in the province of undivided Punjab. While change of enfacements of these securities from Pakistan to India is no longer permitted, existing enfacement at Public Debt Offices, Bombay, Madras, Delhi and Calcutta, and at treasuries and sub-treasuries in Punjab (India) will continue to be recognised. Existing enfacements at treasuries and sub-treasuries in the area which, before the date of establishment of the Province of West Pakistan, constituted the province of Punjab (Pak.) and at the Public Debt Offices at Karachi, Lahore and Dacca will also continue to be recognised. The Government of West Pakistan is also pleased to direct that these securities will hereafter be allowed to be enfaced at all the treasuries and sub-treasuries in West Pakistan.

TRADE

Groundnut Oil and H.P.S. Groundnuts Released for Export: The Government of India have decided to release a quantity of groundnut oil for export both by established shippers and crushers. Export allotments will, on application, be made by the licensing authorities at the ports to established shippers for a quantity equal to 15 per cent of their established exports. Allotments to crushers will be made for a quantity equal to one-third of the allotment made to them under the last release. Allotments will also be made to other crushers provided they have made exports of groundnut oilcake during February to September, 1955. The exact amount of their allotment will be notified by port officers. Established exporters of H.P.S. groundnuts will be granted quotas of H.P.S. groundnuts equal to 62½ per cent of their basic year exports already established by them. Co-operative societies of growers of groundnuts who were allotted quotas of H.P.S. groundnuts early in July last will be given repeat allotments.

*

New Markets for Indian Products: The Indian Industries Fair in New Delhi may help to open new markets in the United States for Indian products. A six-man U.S. Trade Mission, whose main purpose is to assist India in the development and expansion of two-way trade with the U.S., during the session of the Fair will have headquarters at the American Pavilion to tell Indian business men of trade opportunities. The Mission, consisting of four prominent American business men and two governmental experts on foreign trade, has already toured major industrial and business centres of India discussing problems with local business men at meetings with Chambers of Commerce, Trade Associations, and other business groups. The U.S. is the world's largest importer today—with about 14 per cent of the total world imports. In 1954, the U.S. imported about $10,200 million (Rs. 4,845 crores) worth of goods. The U.S. trade Mission to India will offer counsel to individual firms concerning specific problems of exporting, importing, or arranging licensing or investment agreements with American firms. The six-man team is headed by Mr. Emil E. Schnellbacher, director of the U.S. Commerce Department's Office of Commercial Intelligence and Services.

MISCELLANEOUS

Village in Delhi State to Receive Modern Equipment for Community Centre: On October 30, 1955, the Union Minister for Food and Agriculture, Shri Ajit Prasad Jain, formally opened the new Bowana Community Centre and accepted for presentation to the village a gift of some modern dairy and agricultural equipment from the United Nations Technical Assistance Administration. The equipment consists of a hand-operated 'Lister' wooden butter churn, a 22-gallon Swedish cream separator, a British-built power duster, a portable power sprayer with all accessories, and a refrigerator. About 18 miles out of Delhi Bowana has a very active community development programme. It recently completed building the new community centre at a cost of over Rs. 25,000, half of which was contributed by the villagers either in cash or in material and labour. The village has a co-operative milk society which will now be equipped with a cream separator and butter churn. The refrigerator will be used for proper storage of medicines and vaccines. The power sprayer and duster will enable the villagers to spray the local orchards with insecticides and help protect the surrounding areas from locusts and 'Pyrilla', a destroyer of sugarcane.

*

Education of the Displaced: A sum of Rs. 5,00,00,000 had been spent by the Central Rehabilitation Ministry on the education of displaced students up to the end of 1954-55. This sum included Rs. 67,00,000 advanced to State Governments for giving assistance to disrupted and other educational institutions catering to the needs of displaced students. "Displaced" and other colleges and schools would be divided into categories A, B, C and D, and given financial aid, which may range from Rs. 1,00,000 to Rs. 5,00,000 in the case of colleges and from Rs. 25,000 to Rs. 75,000 in the case of schools. No final decision on the proposal had yet been taken. During the current year, the Rehabilitation Ministry had also allocated about Rs. 8,00,000 out of the total allotment of Rs. 13,00,000 earmarked for educational institution, and the possibility of diverting a further sum of Rs. 10,00,000 for this purpose was being considered.

NEWS IN BRIEF

INDIAN

The next meeting of the Import and Export Advisory Council will be held in New Delhi in the last week of November. The Import Advisory Council will meet on November 26, and the Export Advisory Council on the following day.

*

A conference of representatives of the Government of India and the State Governments was held in New Delhi recently to discuss the question of pushing up the consumption of superphosphates and nitrogenous fertilisers. Shri P. N. Thapar, Secretary, Union Ministry of Food and Agriculture presided over the conference.

*

India's ancient handicrafts were televised for the first time in India last week-end by the Television Station set up in the American Pavilion at the Indian Industries Fair. The show, sponsored by the All-India Handicrafts Board of the Union Ministry of Production, displayed ivory carving, brass engraving, tie-dye, papier-mache, wood carving, pottery and lac bangles, and weaving.

*

The Calcutta Improvement (Amendment) Bill, 1955, received the assent of the President recently. The Calcutta Improvement Act, which was enacted as far back as 1911, is considered, in the context of the existing circumstances and in the light of similar legislation in other States, to be restrictive in its application and out of date. The present Bill is designed to amend the said Act with a view to widening the scope of the Improvement Schemes on the lines of analogous statutes in other States and to introduce certain other amendments so as to simplify matters relating to legal and other procedure laid down in the Act.

*

The Oil Merchants' Chamber, Ltd., Bombay, organised a symposium on vegetable oils and oleaginous products this week. Along with the symposium, the Chamber held an educative exhibition of the oil, fats and allied products, which will last for about a week.

*

The Government of India have reviewed the policy for export of raw wool in the light of its availability and the requirements of the indigenous industry and have decided to release a further quantity for export during the period October, 1955, to March 31, 1956. Exports will be allowed by established shippers and new comers. Supplementary allotments in the light of supply and price situation prevailing at the time when the application is made will be made only to those shippers who utilise their basic quotas by making shipments in their own name and on their own risk.

*

"It is fully realised that no amount of breeding effort alone will be enough to improve our poultry. Steps have simultaneously to be taken to ensure adequate feeding, good management, satisfactory housing conditions and prevention of losses due to diseases and pests," said Dr. Panjabrao Deshmukh, Union Agriculture Minister, at the concluding session of the International Poultry Conference at Poona on October 27. He said it was only through conferences of this kind that all that scientists did in the laboratories and research farms could be translated into practice for the benefit of the common man.

*

Dr Louis Arnold Jordan, director of the Paint Research Institute of the British Paint, Colour and Varnish Manufacturers' Research Association at Teddington, Middlesex, is to advise the Government of India on the development of the lac industry. His visit has been arranged under the Technical Co-operation Scheme of the Colombo Plan.

FOREIGN

Scientists from 26 countries participated in a two-day conference on solar energy held early this week in Tuscon, Arizona, U.S.A. The conference, which preceded the world symposium on applied solar energy in Phoenix, Arizona, November 1 to 5, attracted 144 scientists, from other countries who have made major contributions in the study of solar energy.

*

The United States recently announced a pledge of $15,500,000 for United Nations technical assistance to developing areas in 1956. The only limitation to the contribution according to the U.S. Delegate, James C. Wadworth, is that it shall not exceed fifty per cent of the total contributions from all governments.

*

The co-operative development of South and South-East Asia is likely to be speeded up as a result of two offers made to members of the Colombo Plan. Canada has formally offered to set up a high-power atomic reactor in India for the use of the Asian members of the Colombo Plan, and the United States International Co-operation Administration has proposed the establishment of an Asian training centre for nuclear research as a step towards harnessing the atom for the region's economic and social development.

*

The Federation of Malaya, one of the world's foremost tin producers, accounted for nearly a third of the world's output of tin in concentrates in 1953. The greater part of production comes from detrital deposits from which the ore can be won easily by dredging and gravel pumping, and it is the existence of these deposits that has given Malaya an advantage over certain other producers such as England and Bolivia, where the deposits have to be worked by underground methods.

*

It is reported that the Hatoyama Cabinet will resign about November 17, when the Japanese Parliament meets for an extraordinary session. Parliament would then name a new Prime Minister.

*

Expansion of petroleum production in the Sultanate of Brunei, where output increased nearly sevenfold between 1938 and 1953, is one of the most dramatic developments recorded in the fifth volume of An Economic Survey of the Colonial Territories, recently published by H. M. Stationery Office, London. Brunei, with a population of 40,000, is now the largest petroleum producer in the oversea territories.

*

The Royal Commission for the London Exhibition, 1851 have repeated their offer of Science Research Scholarship and the Rutherford Scholarship of the Royal Society for the year 1956. The Science Research Scholarship is for research in some branch of pure or applied science for a period of two years and carries a value of £450 per annum. The Rutherford Scholarship will be awarded for experimental research in any branch of natural sciences, but preference will be given in favour of candidates who propose to work in experimental Physics. It will be tenable for three years and its value will be about £500 per annum.

*

About 57,000 tons of cast-iron pipes and castings, worth £2,000,000 are to be supplied to the Egyptian Government by a British firm. They will be used in Egypt's three-and-a-half year scheme for extending the provision of drinking water for rural communities. The British firm, which is the world's largest exporter of cast-iron piping, recently extended its coke oven plant at a cost of £5,000,000.

The importance of banking to the COFFEE INDUSTRY

COMMERCIAL cultivation of coffee in India dates from about 1830, and is still almost entirely confined to South India. The yearly crop varies between 20,000 and 30,000 tons, most of which is consumed in India. When a surplus of Indian coffee is available for export, it finds ready buyers in fastidious foreign markets.



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Special Articles

PLANNING AND THE SOCIO-CULTURAL PERSPECTIVE

(Contributed)

THE necessity of planning for the economic development of an under-developed country is almost completely accepted by all thinking persons these days. The difference in opinion arises, however, with respect to the pattern that planning should take. The overwhelming prestige enjoyed by the Soviet Union as the first pioneer in the field of total planning in modern times gives a distorted perspective to thinking about 'planning' in other countries of the world. It places an almost exclusive emphasis on one particular pattern and even tends to suggest that there are no alternative patterns possible at all. The limitation on imagination by the actuality of that which has happened is well-known, but it is the task of the intelligentsia to overcome the limitation and to explore the alternative possibilities and make a comparative study of them in terms of the social and economic costs that are incurred and the social and economic welfare that is achieved.

However, even thinkers who have not been blind to the alternative possibilities in the patterns of planning have tended to assume that the relevent effects in terms of which they can be compared are only economic in character. The orientation of planning to the achievement of material ends blinds these thinkers to the as, or even more, important socio-cultural consequences that result from the introduction of such large scale causative factors as planning necessarily involves. The neglect of such effects is facilitated by the general lack of any socio-cultural perspective among economists and politicians who are predominantly the persons among whom the plan-frames originate. The other factor making for such neglect is the overwhelming importance attached to material values implicit in the very concept of economic planning itself. The planning mentality conceives of the achievement of material ends as self-justifying and as that which justifies everything else. This, as is well-known, can spell disaster in the lives of individuals. That it can equally do so in the lives of nations tends to be forgotten by most persons who would not fail to see it in the case of individuals. The Soviet obsession 'to catch up with America and to surpass it' is perhaps the clearest and the most tragic example of such a mentality.

The idea of society as a machine geared to the satisfaction of material needs 'only' is, then, a blasphemy entertained mostly by those who, either by the culture or training, treat them not merely as basic but also as the highest in their scale of values. Economic planning, it should be remembered, does not occur in a socio-cultural vacuum. A socio-cultural tradition going back to thousands of years and embodying the age-long search of man in different directions pervades the so-called under-developed countries which are underdeveloped only in the technical, comparative sense of the term. The economic sociologists who have paid any attention to the values embodied in the traditions and institutions of a society have seen them only in terms of their facilitating or hindering the economic development of that society. As economists, perhaps, they could have done nothing else, since the focus of their attention could only be the economic values with which they were concerned. But as sociologists, this could only be regarded as a blunder on their part since it involves the assumption that the only valid purpose for the socio-cultural institutions is to be an efficient instrument for the achievement of material welfare.

The pattern of economic development as facilitating or retarding the socio-cultural values embodied in the traditions and institutions of a society has seldom been studied by the economists or the sociologists. The influence of technological changes has, of course, been studied by a number of eminent sociologists but a study of the socio-cultural effects of alternative patterns of economic development has been sadly missing from the intellectual horizon. The primary reason for this neglect seems to be the belief that perhaps there are no alternative patterns of planning and that, even if there were, it is the socio-cultural values that must adjust to the exigencies of economic planning rather than economic planning that should adjust to the socio-cultural values, when the two be in conflict. That sociologists, as a class, could implicitly accept either of the beliefs reveals a distressing lack of critical consciousness about the presuppositions that even the scientists so unconsciously accept from the atmosphere around them.

It is only among the cultural antheopologists and the non-specialist savants in literature and thought that one finds even an awareness of such a problem. But unless a detailed technical study is undertaken, the awareness cannot inform the pattern of planning and, thus, make itself effective. What is needed, in fact, is to pass from building econometric models to building socio-metric models in terms of which we may calculate not merely the detailed economic effects of a particular piece of action but of its socio-cultural effects as well.

There can, however, be no excuse for the utter neglect of the socio-cultural perspective by our planning boards as the cultural anthropologists and the sociologists have repeatedly demonstrated that society is not merely an instrument for the realisation of economic ends. The assumption that people prefer an increase in their material welfare to everything else, has so often been demonstrated to be false that its acceptance as an axiom by the planning authorities in any country can only cause surprise to those who have any information on the matter. The lack of detailed knowledge can hardly be given as an excuse, for there is a large amount of scattered knowledge in the different social sciences which can prove useful in assessing alternative courses of action. The psychologists, for example, are not merely useful in selecting candidates for the various defence services, but they may also be expected to bring their relevant insights to bear upon the various aspects that a particular planning-pattern may reveal. Similarly the cultural anthropologists should not be invited only to deal with problems arising with respect to the primitive tribes in a country. They may have something relevant to say concerning the formulation or execution of projects that affect vast masses of people. The sociologist with his vast study of institutions and their impact upon the lives of the people, and his intimate knowledge of the basic differences between rural and urban sociology, could cer-

tainly be of great help in assessing the rapid urbanisation that a fast rate of economic development necessarily involves. The philosopher, the artist and the saint could, in their turns, provide that larger perspective and the sense for abiding values without which human societies lose the vision that gives them significance in the perspective of History.

The socio-cultural tradition is, of course, not the ultimate arbiter of all that can or ought to be done. There will always be elements which have to be given up because they are a heritage from the past which is mostly evil in its nature. There will be others which are outmoded and which require a new expression in the context of modern times. New valuational horizons may emerge and a society may seek their realisation. But what is to be preserved and what is to be discarded and what is to be sought for, has to be self-consciously discussed and debated. A mere talk about economic objectives without a consciousness of their relation to the values that one wants to preserve and to those that one wants to seek for, may have some justification in the case of those who profess only economics, but can have hardly any in the case of statesmen and thinkers who are supposed to lead and show the light to the people.

It would be a misunderstanding to think that we are urging for a total planning of all the socio-cultural aspects of a people's life. We are not even arguing for a uniform realisation of some one particular value in a society. The acceptance of democracy is basically the acceptance of pluralism in a society. Our purpose merely is to draw attention to the fact that economic policies do have socio-cultural effects and that the exercise of a particular type of economic policy may be incompatible with certain values that we might wish to cherish, perpetuate and grow. This is almost a truism, but when truisms are neglected, it needs no excuse to emphasise and repeat them once more. There has, for example, been a panel of economists which has gone through the draft-frame and given its opinion about it. But where is the panel of sociologists. psychologists, cultural anthropologists and the social philosophers that has scrutinised the draft-frame in the light of the accummulated knowledge in these sciences? Or, has even a need been felt for such a scrutiny? There has been persistent discussion of the economic aspects of the Plan in various learned, semi-learned and popular journals. But, has there been even one serious discussion of the possible socio-cultural effects that the Plan might have? The difficulty with truisms is that one usually neglects them and, when pointed out, one can always reply, 'they are just truisms.' We suggest that the neglect be remedied before we find ourselves in a situation where we can only resign ourselves to what has happened.

AGRICULTURAL PRODUCTION IN THE ECAFE REGION IN 1954-55

FOLLOWING hard upon the results of the Indian agricultural production in 1954-55 come reports only slightly less encouraging through ECAFE of production in the ECAFE region. It is interesting to examine whether India's remarkable achievement over the last few years of a 20 per cent rise in agricultural production over the pre-war figure is shared by any country. On the face of it there would appear to be no parallel to the Indian achievement. There is more of a parallel however in the last two years recorded. It is stated in the latest Economic Bulletin for Asia and the Far East of the United Nations that "owing to unfavourable weather conditions, the 1954-55 production of cereals in the ECAFE region was over 3 per cent lower than the record harvest of 1953-54, still ranking, however, as the second best harvest, at least since World War II. Rice production declined by over 4.8 million tons, of which India accounted for as much as 3.4 million tons and other countries, notably Cambodia and Thailand, for lesser amounts; however, increases were registered in Japan, Burma and China: Taiwan."

Table I gives a broad picture of cereals output in the region from pre-war times to 1954-55. Over the whole region it will be seen wheat has shown a substantial improvement and there are minor improvements under barley and maize. There was a substantial drop in rice, almost the whole of which was due as already stated to an Indian fall of 3.4 million tons. But if the Indian fall of 3.4 million tons is excluded, total cereal production for ECAFE was almost the same for 1953-54 and 1954-55. It would also appear that the production of raw cotton is higher than in the previous two years. The ECAFE table (Table II) for India, Japan and Pakistan on the next page suggests that cotton production over the ECAFE area is rising significantly though less significantly than for India alone.

The broad conclusion which emerges from this discussion is that India is leading a general movement in upward agricultural production but is by no means exceptional, in the sense that other countries are stationary while India is advancing. If it be assumed—as is stated in the ECAFE reports that weather conditions were less favourable in 1954-55 than in 1953-54—the maintenance of agricultural production at a little below the 1953-54 level suggests that the floor for ECAFE as a whole was rising at something just below the Indian rate. This calls for further analysis and description; can it be the new methods of cultivation and new psychological factors in agriculture are operating over a very wide field?

TABLE I.

CEREALS PRODUCTION IN THE ECAFE REGION*

('000 tons)

	1934-35 to 1938-39 Average	1948-49 to 1950-51 Average	1951-52	1952-53	1953-54	1954-55
Rice (milled equivalent) ..	64,080	65,358	64,386	67,976	74,608	69,770
Wheat**	13,811	12,917	13,838	12,725	13,225	15,137
Rye	9	38	23	26	26	31
Barley	5,082	5,271	5,473	5,426	5,961	6,267
Oats	222	153	176	174	182	200
Maize	6,126	4,898	4,951	5,945	6,186	6,300
Millet and sorghum	14,968	13,267	13,066	15,301	17,602	17,000
TOTAL	104,298	101,902	101,913	107,573	117,790	113,705

* Excluding Afghanistan and main-China.
** Including Afghanistan.

TABLE II.

RAW COTTON: SUPPLIES AND CONSUMPTION IN SELECTED ECAFE COUNTRIES

('000 bales)†

	Production	Initial Stock	Imports	Exports	Consumption
INDIA					
1952-53	2,975	2,000	563	293	3,875
1953-54	3,770	1,370	486	91	3,985
1954-55	4,050	1,550	232	90	4,100
JAPAN					
1952-53	..	524	2,064	..	2,065
1953-54	..	523	2,443	..	2,566
1954-55	..	400	1,353	..	2,100
PAKISTAN					
1952-53	1,540	365	..	1,275	230
1953-54	1,200	400	..	897	450
1954-55	1,225	250	..	241	660
TOTAL 3 COUNTRIES					
1952-53	4,515	2,889	2,627	1,568	6,170
1953-54	4,970	2,293	2,929	988	7,001
1954-55	5,275	2,200	..	..	6,850

† Bales of 478 lb. net weight.

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The Business World

"THE ELECTRICITY BILL"

By

CROESUS

THE editorial on "The Electricity Bill" that appeared in the issue of "The Eastern Economist" dated October 14, 1955 (vide page 580) has attracted considerable interest in electricity circles here. At the same time, there is a disposition in these circles strongly to differ from the stand taken by the Journal on two points, namely, (i) the Development Rebate and (ii) the limitation of dividend to 3 per cent, when, in respect of any electricity undertaking, depreciation is in arrears, or there are past losses yet to be written off.

As regards the first point, the view is expressed that the provisions in the Electricity (Supply) Amendment Bill, 1955 relating to the Development Rebate do not amount to "removing the disparity in respect of tax relief granted to the Electricity Supply Industry and other industries—which arose from the divergent provisions of the Electricity Supply Act, 1948 and the Income-tax Act governing depreciation", as the editorial under reference has made out. For, these circles maintain, the disparity (faced by the industry in respect of higher income-tax depreciation in the past years) will still continue to dog the industry, inasmuch as the industry's plea to the Government for permission to create a reserve to meet the deferred tax liability (arising out of diverse provisions in the Income-tax Act and the Electricity (Supply) Act with regard to depreciation) has not been conceded. What the industry has been permitted—or, rather, what is made obligatory on it—, after all, is to create, and set aside to, a Development Reserve "the amount of the difference between the income-tax and the super tax which would have been payable by the licensee if the Development Rebate referred to in Clause (VIb) of sub-section (2) of Section 10 of the Indian Income-Tax Act, 1922, had not been allowed and the income-tax and super tax actually paid by the licensee after making due allowance for such development rebate". This only means that the reserve permitted to be created has to be specifically earmarked for investment in the business. Had the concession been left at that, it would have been something, but what amounts to adding insult to injury, I am told, is when it is further categorically insisted upon that any assets purchased from the said reserve or any balance remaining therein are to be transferred to the purchasing authority 'without any consideration.' Since it is needless to add that such purchasing authority will only be the State Electricity Boards, this provision would appear to be even more pernicious in its effects than the recent amendment of Article 31 of the Constitution. The latter stops short at only rendering the issue not justiciable and does not altogether do away with payment of compensation for deprivation of property, whereas the proposed provision in the Electricity (Supply) Amendment Bill clearly lays down that no consideration shall be claimed. What, one may ask, is the use, to investors in a company, of a reserve which cannot be applied either to enhance the dividend to shareholders or to add to the break-up value of their holdings, which is what, in fact, it boils down to, if the assets purchased out of such a reserve have to be parted without any consideration? Furthermore, this reserve is also proposed to be deducted from the "capital base". Reducing the "capital base" thus, on the one hand, and restricting the return on capital, on the other, as is sought to be done by imposing a ceiling on clear profits to 15 per cent in excess of the amount of reasonable return (as against the prevailing limit of 30 per cent) can only be described as limitation of dividend, albeit indirectly—I wouldn't say by the back-door—to investors in electrical undertakings. Why make a Cinderella of only this industry, when development rebate is given away as a gift without any strings to other industries?

The second point concerns the proposal to limit the dividends to 3 per cent so long as any arrears of depreciation or previous losses remain to be written off. Actually, the relevant clause goes even further; it states that, so long as there are any arrears of depreciation or of previous losses, not only should the dividend to be paid not exceed 3 per cent, but there should be no appropriation to any reserve nor disposal of profits in any other way. ("The Eastern Economist" editorial has, of course, indicated all these). What electricity circles are worried about is not this penal clause as such, for such a clause is there even now, which has to be read together with another mandatory clause in the Sixth Schedule to the Act, but the deletion in the new clause of the words "any instalments due in respect of" before the words "any arrears of depreciation" and of the very sensible further proposition enabling such arrears to be made good by instalments during the rest of the prescribed period of the assets. For, judging from the experience of even some of the leading electricity undertakings, this would have the effect of prohibiting the licensee who is in arrears of depreciation from ever paying more than 3 per cent. In such an event, it is asked---and I feel justifiably—"where is left any appropriate incentive to attract investment?"

PRIVATE VERSUS "CO-OPERATIVE CAPITALISM"

By

CROESUS

IT is as much a weakness of Governments as of human beings to seize the earliest opportunity that offers itself to exercise a newly acquired power or right. It was only on September 20, 1955 that the Union Ministry of Food and Agriculture issued a notification under the Sugar (Control) Order, 1955, delegating certain powers to State Governments. These powers relate to the issue of crushing licences to sugar factories by State Governments. Hardly a fortnight elapsed when the Secretary to the Development Department, Government of Bombay, sent out a copy of this Union Government notification to all the sugar factories in the State and called upon them, by virtue of the power newly delegated to it, to apply to the State Government for issue of licences for crushing sugar cane during the 1955-56 season, that is, in the current sugar season. Whilst doing so, the Development Secretary also asked for information on (i) the total quantity of cane crushed in the factory during the last five crushing seasons; (ii) the number of hours that the factory worked during these seasons; (iii) extension of the plant of the factory, if any, during this period; (iv) approximate date of starting and ending of the crushing season; and (v) present crushing capacity. What is significant is that it was stated that all these particulars were required to enable the State Government to decide the quantity of sugar cane that each sugar factory might be allowed to crush.

This letter of the State Government has naturally aroused the apprehensions of the sugar industry in the Deccan, which is the second largest industry from the point of view of output as well as the total number of persons employed. It is feared, for instance, that the Bombay Government may employ the powers delegated to it under the Central Sugar Control Order to encourage co-operative sugar factories of cane-growers, wherever possible, even regardless of the distance from the existing sugar factories. When the Union Government appointed a special committee to go into the question of licensing new factories and permitting expansion of old ones with the specific purpose of preventing competition for the available supply of cane between the old and the new units, it was understood that this committee's recommendations would be accepted and honoured by all. It could not be that the committee specifically singled out co-operative sugar factories of cane-growers as falling outside the purview of its recommendations. Even if it were so, one could not afford to be blind to the complications arising from an unhealthy competition as between old sugar factories and new co-operative sugar factories of cane-growers for a limited supply of cane within a given radius. Inasmuch as it is feared that some co-operative factories may have necessarily to draw upon the same sources of cane supply as are now relied upon solely by the existing factories, one may expect the same confusion in this sphere as that which has arisen in other spheres where we have cases of parallel ownership of industries, albeit with this difference, namely, that, whereas, in the case of parallel ownership of industries, the competition is between a State Government and a unit in the private sector, in this case, the competition will be between a unit in the private sector and a co-operative unit, that is a unit in which the State is vitally interested. In other words, it will be not a case of private enterprise versus State capitalism but private enterprise versus "co-operative capitalism."

Apart from this, a practical text to judge the appropriateness or otherwise of the State action in allowing new sugar factories, even on a co-operative basis, to set up is to find out how far this action would help step up the country's sugar output, which, it goes without saying, is an absolute necessity under the conditions prevailing today. India has already had to import sugar for two seasons losing a considerable volume of foreign exchange in the process. In view of the commitments under the second Five-Year Plan and the possibility of a steady deterioration in the balance of payments position over the Plan years, the country cannot afford to expend foreign exchange on importing such commodities as sugar which could very well be produced in this country itself to the fullest extent needed, provided the requisite facilities are extended to those that are willing to—and have proved that they can—make a contribution.

Incidentally, by first creating avoidable competition for the available supplies of cane between old sugar factories and the newly set-up co-operative sugar factories of cane-growers and then trying to victimise the old factories on the plea of protecting an infant and co-operative enterprise, it would seem, the State Government is unwittingly running counter to the objective of the Planning Commission to step up the volume of sugar output in the country. The total quantity of sugar to be produced in the country can be effectively raised either by setting up sugar factories, co-operative or otherwise, in areas which have been newly brought under cane cultivation as a result of the several river valley projects or by substantially increasing the per-acre yield of sugar cane on the lands which are presently devoted to raising sugar cane by using more and more fertilisers which the Union Government itself has been producing on a steadily increasing scale. It is well-known that sugar is grown on the fields. Strange, as it may seem, however, the Bombay Government has been striving unconsciously to kill the enthusiasm of sugar factories, especially those owning their own extensive cane plantations, to step up the yield by seeking to prescribe the maximum quantity of cane to be crushed by them, on the one hand, and by laying down (as under their irrigation agreements with these factories) that they must use all the cane they raise only to manufacture sugar in their own premises, on the other. The latter stipulation prevents them to sell any sugar-cane that is surplus to their requirements even to co-operative sugar factories of cane growers!

Considering all these aspects and the legitimate apprehensions of the existing sugar factories in the Deccan, it would appear that there is a clear case for convening immediately a joint conference of the Union Food and Agriculture Ministry, the State Government, representatives of the sugar factory owners in the Decean and the co-operative sugar factories of cane-growers, as also the Planning Commission, in order to go into this question fully and prevent an avoidable situation developing well in time.

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BUSINESS NOTES

NEW TEXMACO LOOMS

THE PIONEER among leading loom manufacturers in India, Texmaco (Gwalior), Ltd., Gwalior, has taken yet another step forward by securing the collaboration of the Societe Anonyme Metiers of Belgium for manufacturing Texmaco-Picanol Looms, series 'A' and "President Looms" for the use of textile mills in India. The collaboration should help further enhance the quality of Texmaco products which have ere now been approved by the Indian Tariff Commission pursuant to a public enquiry. The fact that the Union Government has approved of this Indo-Belgian collaboration suggests that the authorities are probably having second thoughts now on the rather ticklish question of installation of automatic looms. Maybe, the existing ban on their installation will soon be lifted; otherwise, there would appear to be no purpose in the authorities approving of the collaboration in question. Surely, it could not be the intention of either the Government of India or the Texmaco not to take the maximum advantage of the highly specialised skill and services of such a well-known Belgian firm in the absence of assured prospects ahead for automatic looms in this country.

Texmaco (Gwalior), Ltd., Gwalior, it may be noted, started producing plain looms in the year 1944. This was soon followed by the production, under the supervision of an expert team, of dobbies and drop-box looms. Despite the second World War, the Company was able to serve the Indian textile industry well by catering to the bulk of its requirements of textile machinery and spare-parts. Thanks to its production capacity being inter-changeable, the Company is capable of producing 6,000 looms, be they plain or automatic or drop box, besides, of course, a wide range of dobbies and spare-parts on a large-scale. In addition to this, Texmaco also have up-to-date modern machinery run by accredited technical experts and a fully mechanised foundry, together with a laboratory for physical and chemical controls.

STANDARDISATION—I.S.I. BOMBAY OFFICE

THE INDIAN official dress—churidar pyjama and achkan—was standardised after Independence. It now seems that the Government of India has ideas of standardising all the 370 million people in the country! But then, if physical planning, of which Prof. Mahalanobis is the apostle and Government the chief votary, is to succeed, should not everything, including even human beings, be true to type? This is said in no light vein. Yet it is not to deny that standardisation, as applied to industry, trade and commerce, has definite advantages. The experience of industrially developed countries shows that through standardisation lies the road to industrial growth, better productivity, and higher efficiency. By using the techniques of standardisation, industries can eliminate, to a large extent, factors that cause wastage in manpower, material, and capital. If, for example, by intensive study, the many varieties of raw materials could be standardised so that the fewest number are retained without sacrificing efficiency, purchasing can be simplified and costs appreciably reduced. Similarly, if machine, plant and equipment could be standardised, economies could be effected by maintaining relatively fewer spare parts. Likewise, if the products of a factory are standardised, then, by resorting to mass production technique—by intensive use of jigs, tools and special equipment—the outturn can be increased and costs brought down.

Prescribing a standard, however high and meticulous, is only part of the job. The uniformly high standard of any product is the outcome of rigid inspection. When, as a result of such rigid inspections, articles produced conform to standard specifications, they attain a standard of uniformity, which would not be possible otherwise. This is why there is such a high standard, for instance, in the automobile or the aeroplane trades, where no material can be put on the market, unless it passes all the rigid tests laid down for material workmanship of finish. A very great advantage of standardisation is that it will create the least complications for some goods in more or less universal use and thereby actually facilitates expansion of world trade in these goods.

The Indian Standards Institution has the distinction of being one of the few non-official bodies which can justifiably claim to be run by its own members and in their own interest and yet to serve the industrial and commercial needs of the entire country on a technical plane. The Institution was set up as a result of industry's demand in 1946 to promote standardisation in the country so as to develop healthy trade practices and encourage manufacture of products which would compare in quality, and be interchangeable with, any overseas products. During its working of nearly nine years, the Institution has issued some 600 standards—including those under print—covering a vast range of products in engineering, chemical, building, and textile industries, but a lot more remains to be done, as the total number of standards required is estimated at about 5,000. Nearly 600 draft standards are in the course of preparation, while there is an equal number of subjects on the Institute's future programme.

The established standard for an article can be implemented by either a voluntary agreement among manufacturers or by issuing a suitable certificate to a manufacturer whose product conforms to the standard laid down. In this necessarily huge task of industrial standardisation, the co-operation of producers and consumers alike is necessary. For example, the Government's purchasing policy which is based on established standards, wherever possible, can help the adoption of standards to a considerable extent. In order to encourage industries to produce standard goods, the Government of India has accordingly issued a general policy directive to all its purchasing and consuming departments to buy only on the basis of approved Indian standards, wherever they exist, and this policy has also been unequivocally endorsed by the Stores Purchase Committee. The State Governments and other public bodies, such as municipalities, district boards, village panchayats, etc., are expected to follow suit.

It is no less necessary to make standard goods available to the ordinary consumer—the man in the street—representing the large body of small-scale purchasers. The Government of India has, therefore, offered necessary facilities to the industry by passing the Indian Standards Institution (Certification Marks) Act of 1952, which empowers the Institution to specify standard marks for products conforming to Indian standards and to grant licences to use the mark after the Institution has satisfied itself that the manufacturer has the necessary machinery to ensure the quality of the products. The first licence was granted on August 15, 1955 to the Aluminium Industries, Ltd., Kundara, in Travancore-Cochin.

The recent opening of a branch office of the Indian Standards Institution in Bombay and the return of the Millowners' Association as a member after a few years' absence should further stimulate industrial development in Western India, where industrialists, technologists, engineers and scientists can meet to formulate standards and solve problems relating to their implementation.

Statistical quality control has come to stay; the metric system of weights and measures will soon be introduced in Indian industry; and, probably the adoption of uniform standards will climax the process.

DECASUALISATION UNDER DURESS

THE DECASUALISATION schemes in India have functioned as some sort of parallel employment exchanges in those industries where they have been enforced. Whereas the decasualisation schemes of stevedore labour in the ports of Bombay, Calcutta, and Madras are administered by the Central Government under the Dock Workers' (Regulation of Employment) Act, the decasualisation scheme in the Bombay cotton textile industry has the distinction of working entirely on the basis of voluntary arrangement as between the millowners and the Government. The Bombay scheme has admittedly worked remarkably well, to the satisfaction of all parties concerned, and there is no ostensible reason why this arrangement should be disturbed. Yet, Mr. Shantilal Shah, the State Labour Minister, speaks of putting it on the legislative anvil. To say the least, this only smacks of official coercion. It is one more instance of the Government wanting to gate-crash into an arena where, by voluntary agreement, the parties concerned—both private interests and Government—have proved that, left to themselves, they can do the job well enough. To introduce an element of coercion for achieving something that is already being done under a mutually acceptable voluntary arrangement is to discourage people's initiative and to make them imbibe a needlessly paternalistic attitude.

The idea of Mr. Shah seems to be to extend the decasualisation scheme, by stages, to all areas and industries, where the Employees' State Insurance Scheme has now been brought into force. This may be a laudable objective in itself, but, in order to achieve it, one may ask: is it necessary to place the scheme on a statutory basis as proposed by Bombay's Labour Minister? Under the State Insurance Scheme, it is possible for a casual worker who gets an insurable employment for a short time to get medical benefit for at least six months. Mr. Shah's contention is that, since this involves a serious financial burden, one way of solving the problem is to decasualise labour, so that recruitment of casual labour can be minimised and persons who are covered by the Employees' State Insurance scheme but are jobless and, therefore, do not contribute to the scheme, can be brought back to employment under the decasualisation scheme. Surely, this cannot be the only consideration, though it may be and, in fact, is an important one. What Mr. Shah had apparently at the back of his mind, but did not disclose, seems to be the opportunity that such a move would provide to impose yet another levy, this time in the name of decasualisation.

Decasualisation was first introduced, on an experimental basis, in Ahmedabad in October, 1949 and extended to Bombay city and Sholapur in January, 1950. Though the scheme does not still cover a few other cotton mill areas in Bombay State like Jalgaon, West Khandesh and Kolhapur, it has had a good measure of success during the six years of its working, judging by the unqualified support extended to it by millowners and labour unions alike. It may be recalled that the Vasist Committee, which examined the decasualisation scheme of dock labour, recommended not only a continuance of the decasualisation schemes, notwithstanding their defects, but actually their extension to several other categories of dock labour.

The objective of the decasualisation scheme is to reduce casualness, since in many industries, the proportion of casual employment to total employment is fairly considerable. While this is necessary, the pace at which decasualisation can be extended to other category of workers will naturally depend upon how fast the benefits—both to employers and employees—expected from the schemes in force, are secured and consolidated.

U.S. EXPORTS JAPANESE TEXTILES!

FOLLOWING THE unlimited imports of Japanese cotton textiles into the U.S. lately, there naturally began a very close scrutiny of all Japanese piecegoods entering into America. As a result of an intensive investigation recently made by officials of the Port of New York, we are told, it has been discovered that Japanese-made textiles have been shipped to the United States, given additional treatment there and then re-exported to the Philippines as American-made goods! This clever ruse has evidently been thought of, it is alleged, to throw overboard the terms and conditions of the Japanese-Philippine Barter Trade Agreement which restricted certain imports from the former to the latter. It may be noted here that, while cotton goods figure in the banned list as far as Japan is concerned, they are accorded preferential treatment in respect of America.

In this connection, reports emanating from Manila disclose the interesting information that the Customs officials there, who unearthed Japanese textiles reshipped illegally from the U.S. and misrepresented as American goods, have listed as many as 10 U.S. firms as being responsible for the re-export of Japanese textiles to the Philippines. It is also stated that most of these firms originated in New York City. It would appear that Japanese textiles were imported direct from Japan by these firms, and were then bleached, dyed and stamped with U.S. brands, before being re-exported to the Philippines.

As if this were not enough sufficiently to rouse public antipathy in the U.S., the American Cotton Manufacturers' Institute, who have been strenuously campaigning against unlimited imports of Japanese cotton textiles into America, have come into possession of one more weapon in their armoury, as it were. They maintain now that, based on import figures for the first seven months of 1955, the wholesale value of Japanese cotton wearing apparel entering America during the rest of the year will be more than ten times that in 1954! The ACMI also point out that, whereas in the '30s, there was some basis for the claim that such imports were, in the main, shoddy material, no such claim can be made now. For, they add, since World War II, the Japanese textile industry has been largely rebuilt and is equipped with some of the most modern machinery now available.

BONUS QUOTA FOR COTTON

AS THOUGH to synchronise with the 'Dassera' festival, the Government of India announced, a few days ago, a bonus quota to cotton exporters of the order of 1,00,000 bales of cotton of all varieties stapling ¾" and below except Cocanadas and Bengal Deshi. (A separate quota of 50,000 bales of Bengal deshi was also announced).

Export allocations are generally accorded a universal welcome, but the latest one seems to have attracted some criticism in certain trade quarters. In the first place, these quarters question the very necessity for a quota of this proportion, by reason of the large quantity of unutilised quotas of the previous grant of 2,50,000 bales announced a month ago. On the same token, it is further argued that the disposal of the present bonus quota may prove to be a rather long-drawn-out affair. It is also pointed out that, in view of the damage to cotton crop, consequent on the untimely rains spread over the entire period of October, so much cotton may not be available for export purposes.

Against the background of this criticism, it is perhaps worthwhile to examine the salient features of the latest bonus quota. There is, first, the stipulation that the quantity of cotton will be distributed amongst the quotaholders on the basis of roughly two bales for every five bales actually shipped by them during the 1954-55 cotton season. This is only according deserved recognition to established shippers, as it should be. For this condition strikes at the very root of malpractices, such as trafficking in licences, which would have been rampant had the quota been in respect of exporters as a whole, irrespective of their actual shipping record. It

was high time that the authorities did something to put an end to this nefarious trafficking in licences. Secondly, for the greater part of October, there had been widespread campaigning for an additional export quota and the price pattern in the futures market in Bombay was influenced one way or the other by prospects or otherwise of the release of a further export quota. The uncertainness of the trend in the futures market resulting from at least this one factor has now been removed. Inasmuch as one of the section's oft-repeated agitation in this behalf has borne fruit, the announcement has naturally been received with enthusiasm by this section.

It will be appropriate at this stage to sound a note of warning. It is true that, immediately following the quota announcement, there was a spurt in cotton futures prices, but this cannot be said to be indicative of the continued firmness in the market, as some seem to have interpreted it. For one thing, the bonus grant is only in respect of ⅞" cotton and below, supplies of which are fairly abundant in the country. If the quota had been in relation to 25/32" cotton and below, as certain quarters have been urging, the consumption of which is relatively greater within the country itself, there would have been some justification in expecting that the market would continue to keep firm. But, as long as the bull syndicate in the market continues to have a firm grip, as at present, it would not be right either to ascribe the latest rise to the quota or to speculate on the precise pattern that trading would assume in the immediate future.

OIL RESEARCH: NEW PHASE

THE FIRST test well to be drilled in search of petroleum possibilities in the Hugrijan area of Assam began on November 2. Hugrijan is one of the new areas of oil interest in Upper Assam for which a prospecting licence was recently granted by Government, the other being Moran where test drilling will begin early in 1956. Indian drillers of the Assam Oil Company will drill the well in accordance with the advice of the company's geologists. It may be necessary for the drill to go to a depth of 15,000 feet (nearly three miles) in a thorough exploration of the prospects in this unproved area.

The decision to drill at Naoholia, as also at Moran, was based on the evidence of extensive geophysical surveys carried out during the past three years. All the information it is possible for science to provide has been used in selecting the best places to drill in the newly-licensed areas, but nothing will be known about their petroleum prospects until the test wells have been completed.

HEALTH PLAN FOR U.S. LABOUR

TWO HUNDRED thousand workers of the General Electric Company, one of America's largest industrial firms, have begun receiving benefits from what the company calls "the most extensive catastrophe health insurance programme in American manufacturing." The programme, a product of collective bargaining between labour and management, was provided for in the new five-year contracts signed by the company and unionized employees. The largest union concerned is the International Union of Electrical Workers, an affiliate of the Congress of Industrial Organizations.

It is estimated that 500,000 employees will eventually come under the programme. Medical bills up to $7,500 a year will be covered for employees, with the company paying two-thirds of the cost and the individual slightly less than 1 per cent of his annual salary. If the employee wishes to extend coverage to his dependents, he pays 2 per cent. The new insurance plan will "practically eliminate the need for employees to worry that a sudden major illness will eat up their life-time savings or create huge debts."

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Economic Report from the U. S.

REVIVAL OF INTERNATIONAL CAPITAL MARKETS

(By Guy Sims Fitch)

NEW YORK, Oct. 18.—Formation in the past few months of new private corporations for international finance and development spotlights the growing trend among American financiers to put their money into securities and investment opportunities in other countries. Some of the leading Banks and brokerage houses in the United States are participating in these plans, which involve to a large degree the sharing of ownership in foreign enterprises through the purchase of equity stock. In this way, private American capital can supplement both the direct investments abroad by U.S. business men and the development and trade loans made by such agencies as the United Nations International Bank for Reconstruction and Development and the U.S. Export-Import Bank.

The World Bank already has sold some $500 million worth of its bonds in the U.S. market, and it expects its projected affiliate—the International Finance Corporation—to stimulate additional interest among private investors in the United States. But the belief is growing in American financial circles that the time is ripe to put still more financing opportunities at the disposal of expanding economies around the world.

In the new $10-million Transoceanic Development Corporation, for instance, the American banking firms of Kuhn, Loeb and Company and the First Boston Corporation have joined hands with S. G. Warburg and Company of London to acquire equity investments in countries other than the United States and Canada. A dozen other American financial institutions, an equal number of British and continental banks, and one Canadian bank are participating in these plans.

Transoceanic's Charter empowers it not only to invest in existing companies, but also to promote, finance and develop new enterprises. It will give first consideration to providing new capital for the expansion of mineral, manufacturing and commercial enterprises in countries offering attractive investment opportunities. A similar company, to finance and develop new enterprises in Canada as well as other foreign countries, is being organized by the Chase Manhattan Bank of this city. In addition, the publishing firm of Time, Incorporated, is associated with business groups in New Orleans, Louisiana, in forming the Inter-American Capital Corporation, which will devote itself exclusively to investment in Latin America. And the banking firm of Lehman Brothers has joined other international institutions in buying a 10 per cent interest in the Mediobanca of Milan, a leading investment bank in Italy.

A new departure is a reported plan for extending into the foreign field the U.S. idea of mutual funds—stock purchase organisations in which a large number of investors, many of them small, join to buy selected securities. One report has it that the International Resources Fund, managed by the Capital Research and Management Company of Los Angeles, California, is planning to float a stock issue for this purpose through leading financial groups in New York. Under present thinking, the Fund's holdings would be divided equally between U.S. and foreign securities. Emergence of these international ventures at this time reflects significant trends in the world economic scene. Most obviously, it indicates the revival of international capital markets, as the level of prosperity in the United States and most other free nations has risen and exchange restrictions have been relaxed. But it also reflects the eagerness of many of the world's less-developed lands to speed their economic growth through constructive private investment.

Looking at these international ventures, many American financiers see New York becoming a prime investment banking headquarters, taking its place alongside London and other traditional centres. They point out, in this regard, that the United States has large untapped resources of capital and know-how that can be used, if encouraged, to aid in the economic expansion of other parts of the world.

GATT AND THE U.S.A.

(Exclusive to "The Eastern Economist")

(By Guy Sims Fitch)

WASHINGTON, Oct. 25.—Groundwork will be laid for extensive international tariff reductions when the United States and 34 other nations meet at Geneva this week for the tenth session of the General Agreement on Tariffs and Trade (GATT). The session, which will last about five weeks, also will be concerned with problems that have arisen under the Agreement since last year's meeting, which ended in March of this year.

One of the principal U.S. aims at this session will be relaxation of foreign restrictions on American exports. A dozen or more countries will explain their trade controls over dollar imports—a type of discrimination permissible only for the protection of international payments balances. Discussion of this problem is expected to be marked by the informality that has proved the best approach to trade liberalisation in previous settlements of differences within GATT.

In these discussions, the United States will be fortified by its own record of relaxing import quotas on agricultural products—a subject also on the GATT agenda. In order to reconcile U.S. farm price support programmes with its foreign trade commitments, the United States was permitted last year to waive its GATT obligations and maintain a system of quotas on farm imports. But this year the United States will be able to report that it has dropped quotas on four of the 10 commodity groups on which it maintained import controls a year ago. These are filberts and almonds, rye, rye flour and meal, barley and barley products.

The procedures outlined by the 35 delegations for the multilateral tariff negotiations, scheduled to begin in Geneva in January 1956, are expected to be substantially the same as those in force during previous GATT negotiations. These were at Geneva in 1947, when the General Agreement was first put into effect; at Annecy, France, in 1949; and at Torquay, England, in 1950-51.

In some ways, this fourth round of negotiations will be the most significant since GATT was launched in

1947. For one thing, about 25 nations are expected to take part, more than ever before. For another, it will give the United States its first opportunity to use on a broad scale the new tariff-cutting authority granted by Congress last year. This means that U.S. negotiations will be able to offer additional duty cuts of as much as 15 per cent, to be spread over the three-year period ending June 30, 1958, at the rate of 5 per cent a year. To be fully effective. therefore, these cuts will have to be in force by June 30, 1956.

Here in Washington, preparations are well under way for U.S. participation in these negotiations. The Government already has made public a list of nearly 1,000 items on which it will be willing to offer tariff concessions. Items on this list have a combined import value of $1,800 million—about 17 per cent of the total value of all U.S. imports last year and about one-third of the value of all dutiable imports. On the list are such key U.S. imports as copper, aluminium, manganese, tungsten, nickel, molasses, boats, airplanes, steel products, automobiles and trucks. It was drawn up by an inter-department committee of nine government agencies, each with its own idea of what concessions should be offered. That fact that so many agencies agreed on so lengthy and varied a list indicates the seriousness with which the Eisenhower Administration is approaching the tariff-cutting sessions.

Concessions will not be granted for every item on the list, of course. Much will depend on the reciprocal concessions the United States receives from other countries. It should be noted, too, that this list is not necessarily final. American business men will have a chance to present their views on the proposed items in concurrent hearings starting next week before the U.S. Tariff Commission and the Inter-departmental Committee on Reciprocity Information—substantially the same committee that drew up the list in the first place.

In the past, these hearings have drawn some heated protests from American industries. This year, while the protests from a few industries—such as those in the textile field—may be just as strong, the expected flood of opposition has not so far materialized. There is the further fact that the Government does not have to accept the industry protests unless the evidence accompanying them is clear-cut and overwhelming. There is every likelihood, therefore, that the final U.S. negotiating list will be much the same as that tentatively offered for consideration.

Letters to the Editor

REORGANISATION OF STATES

A—My Impression

Sir,

The fundamental principles of administration—especially of this unhappy land, though perhaps also of the world—appear to have been that:

(1) There should necessarily be some sort of impartiality—to set off against rank and rude partiality.

(2) There should always be some sort of agitation or excitement in the land—for the justification of the existence of the administration.

(3) Stronger the grounds for agitation or reasons for excitement, more the need for stern administration—shooting, tear-gassing, lathi-charging—and more active or alive the nation.

(4) The jurisprudential principle that "not a single innocent person should die, even at the risk of escape of 100 criminals", does not apply to politics or diplomatics. Rather the opposite principle obtains in this case. Some scapegoat may be lawfully and openly sacrificed, for the appeasement of a handful of unruly and incorrigible elements in society.

From this fundamental point of view, the recommendations of the States Reorganisation Commission may be said to be highly progressive.

B—My Difficulties

(1) Why "economic" considerations should come in the way of efficient discharge of administrative affairs, I fail to understand. It is the petty-minded schoolroom book-keeper's principle that a particular kind of revenue should be utilised for a particular purpose. If a unit be politically sound or suitable, but economically deficient, why should not its administration be subsidized from Central revenues, or from the excess revenue of another unit? The Indian Union—leaving aside for the present the problem of the world—is like a big family—one son earning more, another less, a third invalid earning nothing at all. Would it therefore be fair or sane on the part of the father to gorge the one, half-feed the other, and starve the third?

(2) "The linguistic doctrine, if carried to its logical extreme, would reduce India to a congeries of microscopic units,.....".

But why should the linguistic doctrine be carried at all to its logical "extreme"? Why should it not be carried up to the golden mean, and stopped there?

And how many languages are there in the land, which can come up to the status of a State language, or stand the test of a "provincial" language? In other words, how many languages of the land have got elegant literature and renowned litterateurs? Can such languages be counted by hundreds or thousands—to make a congery?

Even logic should have its sense, and nonsense its limit, like rhetoric or joke.

(3) If, after admitting the principle of forming linguistic units—and actually forming such units in some parts of the country—and in spite of the safeguards provided in the Constitution for the protection of the interests of minorities, the fears of the minorities could not be allayed, and linguistic units could not be formed in some other parts, what is the use of the constitutional safeguards, and sense of the accepted principles? Under the circumstances, will it not mean that the rulers are incompetent to rule—are incompetent to conduct democratic institutions? Will it not mean that they are experts only in making plausible proposals, and following the cheap, short-sighted, threadbare policy of "Divide and Thrash"—bequeathed by their British predecessors?

It is a pity that the obvious lesson of such a hackneyed policy could not be learned by intelligent people, or should be forgotten so soon.

Yours faithfully,
V. S. MUDVEDKAR.

BOMBAY-28,
October, 19, 1955.

THE ELECTRICITY BILL

Sir,

Your article on the Electricity (Supply) Amendment Bill, 1955, in your issue of 14th October while admirably summing up the broad features of the Bill has ventured opinions on two points which cut across your own dictum about "ensuring an appropriate incentive.....to attract investment."

The provisions in the Bill so as to enable the Electric Supply Industry to avail of the benefits of the Development Rebate permitted by the last Finance Act certainly does not amount to removing, as you state, the "disparity in respect of tax relief granted to the Electric Supply Industry and other industries—which arose from the divergent provisions of the Electricity Supply Act, 1910, (sic. should be 1948) and the Income Tax Act governing depreciation." The disparity faced by the Electric Supply Industry in respect of higher income-tax depreciation in the past years will still continue to dog the industry as its earnest pleading to Government for it being permitted to create a Reserve to meet the Deferred Tax liability has not been conceded. Nor has the Bill sought to remove, as you call it, the "unequal treatment" by "extending the benefits of the Development Rebate permissible". After all what has been permitted—indeed made obligatory—is for the industry to set aside to a Reserve "the amount of the difference between the Income Tax and the Super Tax which would have been payable by the Licensee if the Development Rebate referred to in Clause (vi b) of sub-section (2) of section 10 of the Indian Income Tax Act, 1922, had not been allowed and the Income Tax and Super Tax actually paid by the Licensee after making an allowance for such Development Rebate." However, apart from the Reserve being available for investment in the business of the undertaking, it would be of no real benefit to the investor as the undertaking will not be permitted to earn the Reasonable Return on the assets financed from this Reserve. This certainly is not removing the unequal treatment in that while to the rest of the industry the Development Rebate is given as a gift the concession to the Electric Supply Industry is very much circumscribed resulting in no tangible benefit.

Another point on which there has been inadequate appreciation of the industry's problem refers to the proposal to limit the dividends to 3 per cent so long as any arrears of depreciation or previous losses remain to be written off in the books of the undertaking. The editorial indicates that " no exception can be taken to the amendment" because it "is clearly intended to safeguard the security of capital assets." The present position is that the penal clause limiting dividends to 3 per cent will operate so long as any Licensee fails to provide in respect of depreciation for the year and any "instalments" due in respect of any arrears of depreciation, the arrears being made good by instalments during the rest of the prescribed period of the assets—a very sensible proposition and this is mandatory by another clause in the Sixth Schedule itself. The omission of the words "any instalments due in respect of any arrears of depreciation....." in the clause as now stands would exacerbate the situation and will have the effect of prohibiting the Licensee who is in arrears from "ever" paying more than 3 per cent. The amendment would entirely upset and destroy the present working of many Licensees and thus act as a serious break on development.

There are a number of other amendments which require toning down in the interest of the country's electric power development and all these matters will require to be agitated before the Select Committee.

Yours faithfully,

R. P. AIYER,

Secretary,
The Federation of Electricity Undertakings of India.

BOMBAY,
October 18, 1955.

COTTAGE AND SMALL INDUSTRIES IN THE SECOND PLAN

Sir,

A government stands on a tripod, the three legs of which representing Administration, Social Services and Means of Livelihood. Even bitter critics would admit that, viewed as a whole, we have good administration and it is common knowledge that social services like health, education, communication, etc., are being rapidly and steadily expanded. It is the third leg which is weak due to the serious problem of unemployment. Unless tackled with vigour and imagination this problem will get out of hand because, in addition to the millions who are unemployed or underemployed today, about 1¾ million will enter the working force year after year. It is for this reason that the emphasis is on labour-absorbing cottage and small industries and not because the Planners are doctrinaire in their approach or inimical towards the private sector.

In attempting to solve a serious problem swiftly, I think, the Planners are allowing the pendulum swing too far in one direction. Development of cottage and small industries will present many a problem. They have low productivity and being spread out will face problems of raw material supplies, finance and marketing. Their products will be higher priced than factory produced goods of comparable quality and so cannot compete with the latter. Therefore, an increase of one-third in the output of cottage and small industries, as envisaged in the Plan-frame, will be very difficult to achieve unless,

(a) they receive liberal subsidies;

(b) markets are reserved for them;

(c) factory goods are heavily taxed; and

(d) ceilings are fixed for factory production.

Except for giving subsidies and perhaps taxing factory goods, there will be no justification to adopt either of the other measures, because in effect, it would deny the consumer his right to choose.

The Karve Committee is now examining "common production programme" for village and factory industries and let us hope that the Planners would adopt measures to develop these two sectors side by side. There are a few small or cottage industries which can hold their own against competition from factory units and some other which can do well with some government support. In the latter category handloom industry is an excellent example; the production and sale

have nearly doubled in the last two years because of government subsidies and vigorous co-operative marketing. The cottage and small industries would not help solve the unemployment but would also generate economic activity in that many who work in these units would spend a part of their earning in buying the goods they need and which in turn would increase the demand for factory goods.

From my experience I know that wherever the handloom industry has been doing well in the recent past, the sales of a nationally advertised and nationally distributed consumer product have gone up more sharply than in other comparable regions and in some cases at twice or even thrice the normal rate of expansion. This has happened in spite of the fact that the price of the brand quoted is 60 per cent higher than cheaper brands produced by the cottage sector and the latter sector itself expanding their sales.

In their anxiety to help the cottage and small industries in order to provide the means of livelihood for millions, the Planners will use every argument and may succeed in persuading the Government to fix ceilings of production for certain factory goods; but I am fairly certain they will be compelled to raise the ceilings year after year because, with a progressive increase in the per capita income, there is bound to be a steady increase in the national consumption and an upward movement in the demand for better quality consumer products.

Yours faithfully,

ARAR.

BOMBAY,
October 14, 1955.

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

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COMPANY AFFAIRS

TATA HYDRO-ELECTRIC SUPPLY CO., LTD.

The Directors' Report and Audited Statement of Accounts of the Tata Hydro-Electric Supply Co., Ltd. and the Andhra Valley Supply Co., Ltd. reveal two noteworthy features. In the first place, the companies have been enabled to record encouraging earnings for the year ended 30th June, 1955 resulting in an increase of 10.12 per cent over the previous year in the case of Tata Hydro and 11.50 per cent in that of Andhra Valley. Secondly, indicative of the substantial progress made in respect of the establishment of the thermal station at Trombay, the Directors state that the first 50 MW unit can be expected to go into service in October, 1956 followed by the second unit in April, 1957. The management has decided to maintain the same dividend as last year, in both the cases (Rs. 7½ per cent per ordinary share).

The aggregate energy sales of the three Hydro companies amounted to 1263 million units, as against 1137 million units in the previous year. The sale of thermal energy and the overall 15 per cent thermal surcharge together yielded Rs. 84.62 lakhs which just about met the cost of thermal energy purchased.

The number of units of hydro energy sold by the Hydro company during the year under review was 253,738,070, as against 228,647,773 in the previous year. The sales yielded a revenue of Rs. 75,68,863 over the period ended June, 1955 which included a revenue of Rs. 16,92,267 on sale of 27,282,089 units of the thermal power as against Rs. 62,33,853 in the previous year, including a revenue of Rs. 7,24,386 on sale of 18,888,694 units of thermal power.

Total gross revenue was higher in both Hydro and Andhra Valley, by Rs. 14.00 lakhs in the case of the former and by Rs. 19.86 lakhs in that of the latter. In either case, the revenue increase is attributable, apart from energy sales, to some extent, to increases in interest on Government securities, deposits, etc.

Alongside the increase in revenue from power supply and other incomes, there has been an increase in expenditure of the companies, particularly in regard to purchase of thermal power. The provision for taxes increased by Rs. 1.14 lakhs in the case of the Hydro company, while declining by Rs. 1.07 lakhs in that of Andhra Valley.

The Directors have disclosed in their report that the Hydro companies have now finalised arrangements to obtain a loan from the World Bank equivalent to U.S. $16,200,000 (Rs. 7.77 crores) in various foreign currencies in order to finance the foreign equipment and services required for the Trombay Project. The Loan Agreement, it may be remembered, was executed on 19th November, 1954, in Washington. Since the close of the Company's financial year, it is stated, the formalities stipulated in the Loan Agreement and the Loan Regulations have been completed and the Trust Deed will be executed shortly.

Referring to the marked rise in energy consumption and peak demand on the system, the Directors state that, since sanctions for new loads by the Bombay Government were given more freely during the year, there has resulted an overloading of the available transformer capacity and distribution cables. In order to safeguard service to the BEST, steps are stated to have been already taken to increase cable capacities to the BEST sub-stations and for this purpose, a 16,000 KVA power transformer has been installed at Parel.

During the year, both Hydro and Andhra Valley raised fresh capital by issuing new ordinary shares. Tata Hydro made the final call of Rs. 25 per share on the 60,000 new ordinary shares on 27th May, 1955 and the shares became fully paid up on 1st July, 1955, the date fixed for the payment of the call. The final call of Rs. 250 per share on the 9,000 new ordinary shares in respect of Andhra Valley also was made on 27th May, 1955 and these shares too became fully paid up on 1st July, 1955.

TATA HYDRO-ELECTRIC POWER SUPPLY CO., LTD.

(In lakhs of Rupees)

Year	Capital	Reserve and Other Funds	Borrowings	Gross Block	Depreciation Fund	Net Block	Investment
1952-53 ..	269.28	45.34	15.00	395.39	130.73	264.66	28.59
1953-54 ..	313.77	48.78	Nil	416.97	135.68	281.29	38.84
1954-55 ..	323.73	52.30	35.00	442.21	141.66	300.55	40.51

Year	Revenue From Power	Revenue From Other Sources	Expenses	Provision for Depreciation	Provision for Taxation	Net Profits	To Contingencies	To General Reserve Fund	Dividend Paid
1952-53	50.13	6.16	19.28	5.06	11.32	20.18	0.99	0.75	18.11
1953-54	62.34	7.95	30.34	5.62	11.61	22.71	2.08	1.25	18.77
1954-55	75.69	8.60	40.51	6.02	12.75	25.01	2.21	1.25	19.68

THE ANDHRA VALLEY POWER SUPPLY CO., LTD.

(In lakhs of Rupees)

Year	Capital	Reserve and Other Funds	Borrowings	Gross Block	Depreciation Fund	Net Block	Investment
1952-53 ..	262.11	31.31	98.28	525.14	195.13	330.01	40.04
1953-54 ..	329.42	35.85	98.28	559.41	203.76	335.65	49.89
1954-55 ..	342.18	40.71	98.28	576.26	213.45	362.81	49.89

Year	Revenue From Power	Revenue From Other Sources	Expenses	Provision for Depreciation	Provision for Taxation	Net Profits	To Contingencies	To Reserve Fund	Dividend Paid
1952-53	71.58	6.55	30.60	8.43	17.16	21.89	1.31	1.00	18.50
1953-54	89.28	7.33	43.76	8.55	18.47	25.82	2.70	2.00	19.50
1954-55	108.90	7.57	61.44	8.84	17.40	28.79	2.83	2.00	20.87

HINGIR-RAMPUR COAL CO., LTD.

The working results of the Hingir-Rampur Coal Co., Ltd. (Agents: Killick Industries Ltd., Bombay) for the year ended June 30, 1955, disclose a profit of Rs. 1,03,596, after providing Rs. 1,99,603 (Rs. 1,39,097) for depreciation. The allocation for taxation takes away another Rs. 10,815 (nil), leaving a net profit of Rs. 92,781, which compares with a loss of Rs. 398 in 1953-54. Accordingly, the Directors have recommended payment of a dividend on ordinary shares, which had been passed last year, at the rate of 4½ per cent per annum, being Rs. 2-4 per share of Rs. 50 each fully paid, free of income-tax. Even this, however, falls short of the rate of dividend, of 6 per cent paid for 1952-53 and of 8 per cent for 1951-52. Last year, the Directors had actually to draw Rs. 12,000 from the Dividend Equalisation Fund and Rs. 23,000 from the General Reserve for paying the dividend on preference shares. During the year under review also, no addition has been made to reserves, which received nothing in either of the previous two years as well.

The total output of coal was 1,97,232 tons, against 1,89,662 tons in the previous year, showing an increase of 7,570 tons. The raisings would have been higher still but for the illegal strike of tub loaders from June 6 to 10, 1955. Besides, a fire broke out in the coal stock at No. 10 pit, which necessitated the partial closure of that pit for two days.

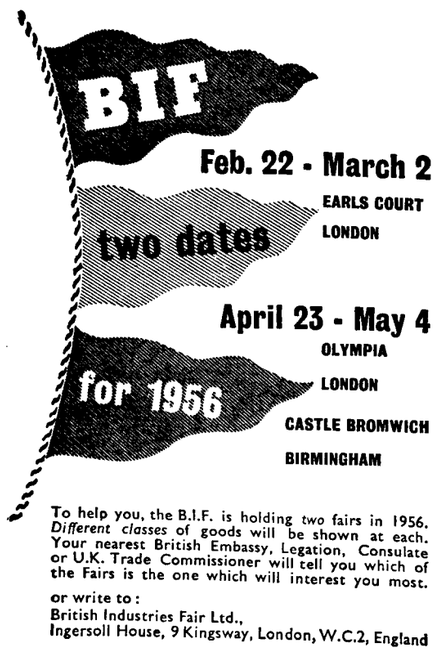
Sales aggregated 1,86,734 tons compared to 1,82,002 tons in the preceding year. Here, again, possibly still better results were hampered by wagon shortage, which proved to be a serious bottleneck. The increased output and sales were not accompanied by a commensurate rise in profits, despite the increase in the controlled prices of the Company's coal, by Government, of three annas per ton. This was because this increase took effect from July 18, 1955, that is after the end of the accounting period under review; even otherwise, this increase, it may be noted, was given only to offset the additional expenditure on account of the increase in the Company's contribution to the Coal Mines Provident Fund, based, as it is now, on the workers' total earnings, namely, basic wages, dearness allowance and food concession in cash or kind.

The Directors state that since pit No. 10 will cease to produce coal in a year's time, it has become necessary to develop pit No. 11, from which the entire output of the colliery will have to be obtained in due course. Accordingly, the Company has worked out a scheme to handle the increased production of coal from pit No. 11, which is expected to reach approximately 20,000 tons per month.

The following table gives the summarised balance-sheets of the Company for the years 1954-55 and 1953-54:

(Figures in Rupees)

	LIABILITIES			ASSETS			
Year	Share capital	Reserves & surplus	Current liabilities & provisions	Total	Fixed assets	Current assets	Coal raised (In tons)
1954-55	20,00,000	1,25,226	11,19,071	32,44,297	19,30,208	13,14,089	1,97,232
1953-54	20,00,000	1,22,445	11,04,945	32,27,390	18,86,436	13,40,954	1,89,662



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COMMODITY NEWS AND NOTES

JUTE GOODS PRODUCTION IN PAKISTAN

Jute goods production in East Pakistan recorded an increase of more than 10,000 tons in 1954-55 over the previous year's output. According to official figures, total production during the past fiscal year amounted to 61,254 tons compared with 50,126 tons in 1953-54. Of the total output in 1954-55, sacking accounted for 40,208 tons, hessian for 6,451 tons and other goods for 14,595 tons. The production capacity of East Pakistan has considerably increased recently as a result of the installation of new mills. At present eight mills, with a loomage strength of 4,200, are working double shifts and production is running at the annual rate of 130,000 tons.

EXPORT PROMOTION COUNCIL FOR PEPPER AND CASHEWNUTS

A Council to promote the export of two important foreign exchange earners, cashew and pepper, has been set up with headquarters at Cochin. This is the fifth export promotion Council sponsored by the Government of India as part of its export promotion programme. The other four Councils are those for cotton textiles, silk and rayon, plastic goods and engineering products.

It is reported that cashewnuts and pepper, two principal commodities exported from the Kerala coast, are good dollar earners. The Soviet Union has also shown an interest in Indian pepper from time to time. India is now facing competition in the exports of pepper from Indonesia and Sarawak, where fresh plantations have been developed after the war. The value of India's pepper exports in 1954-55 was nearly Rs. 7 crores as against a little over Rs. 16 crores in 1952-53. India is in a position, as much cashew as can be produced, provided raw cashewnuts are available. Every effort is being made to increase the cultivation of cashewnuts in India. India's exports of cashewnut kernels are valued at Rs. 10.51 crores in 1954-55, as against nearly Rs. 13 crores in 1952-53 although a greater quantity was exported.

PRODUCTION OF OILSEEDS

Proposals for increasing the production of oilseeds in India by 15 lakh tons under the second Five-Year Plan were considered at the Ninth Annual General Meeting of the Indian Central Oilseeds Committee held at Hyderabad on October 22, 1955. Other items, which were discussed by the Committee, were the establishment of a Central Agricultural Research Institute for oilseeds, a Regional Research Station on oilseeds in West Bengal and schemes for the improvement of oilseed crops in Rajasthan, control of pests and disease of oilseed crops in Uttar Pradesh and agronomic investigations of groundnut at Amravati in Madhya Pradesh. The Committee also considered a number of schemes for technological research on oilseeds and oils. These relate to research work on various uses of castor oil in industries and study of the physical, chemical and nutritional changes occurring in proteins and oils as a result of processing different oilseeds under selected conditions at the Indian Institute of Science, Bangalore.

STANDARD FOR GOLD LEAF

The Indian Standards Institution has published an Indian standard specification for gold leaf. The material is used for gold lettering in the paint industry. This standard prescribes the requirements in respect of the size of each leaf, manner of supply, weight and gold content. A method for the determination of gold content is specified in an appendix. It is hoped that the material conforming to this standard will assure supply of a material suitable to the paint industry.

IMPORT OF GLAZED NEWSPRINT

The Government of India have decided that quota licences for printing paper (Sr. No. 157-158|IV) issued during the July-December 1955, licensing period will also be valid for the import of glazed newsprint. It will not be necessary for the quota licences for printing paper to be endorsed to this effect. A public Notice pertaining to it has been issued by the Ministry of Commerce and Industry.

COPPER OUTPUT IN U.S.

Production of refined copper at U.S. refineries rose from 98,732 tons in August to 138,880 tons in September, a new all time record. Deliveries of refined copper to domestic consumers rose to a total of 144,571, an increase of approximately 55,000 tons over the preceding month and the largest figure to be reported since May, 1953, when statistics included deliveries from the U.S. national stockpile. As a result of the increased production following the ending of the strikes in July and August, stocks of refined metal in producers hands increased by 4,275 tons to 56,625 tons. According to the U.S. Copper Institute, world production of crude copper rose to a total of 141,165 tons in September. There was a small decrease in refinery output to 108,601 tons.As a result of heavier deliveries to fabricators outside the U.S., stocks of copper in the hands of non-U.S. producers decreased by 6,295 tons to 174,377 tons.

WORLD FIBRE OUTPUT

World production of the chief industrial fibres is falling, according to the 1955 edition of "Industrial Fibres," published by the Commonwealth Economic Committee. It reveals that in 1953-54 production at 32,900 million lbs was 4 per cent lower than the record achieved a year earlier, while the estimated total for 1954-55 is 32,300 million lbs. a further reduction of around 3 per cent. The overall figure for 1953-54 was the result of a 5 per cent increase in apparel fibres to a new record total of 25,900 million lbs and a fall of 26 per cent in all other fibres, due chiefly to a reduction in jute and, to a smaller extent, in flax. In the following season the decline was due mainly to falls in cotton. While output of hemp and jute improved slightly in 1954, production of flax is estimated to have declined further.

The Commonwealth's share in world fibre production has continued to rise, particularly marked advances being recorded in cotton and hard hemp (sisal). Aggregate consumption of apparel fibres again increased during 1954, but this did not prevent a further rise in stocks of cotton and, to a lesser extent, of wool, since production of these materials was still above consumption.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	381.4	467.7	359.2	367.4	686.6	397.5	..	..	..	..
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.4	100 6	87.3	95.6
January 1955 ..	340 3	432.9	344.3	375.5	568.8	363.9	90.5	100.7	88.4	113.0
February „ c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.4	113.7
March „ c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	88.2	114.2
April „ c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.6	100.7	87.4	115.1
May „ c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.5	100.6	87.5	115 1
June „ c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.7	100.7	87.8	112.9
July „ c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.8	100.6	87.5	113.2
August „ c ..	317 5	404.2	326.3	371.2	563 1	357.3	90.9	100.7	87.8	117.9
September „ c ..	313.0	396.1	324.4	368.8	556.1	353.4	90.9	100.7	87.8	122.8
Week Ending							90.9	100.7	87.2	122.8
10-9-1955 ..	315.2	392.8	322.9*	368.7	554.2	353.2*	90.8	100.7	87.3	122.5
17-9-1955 ..	312.0	401.0	324.4	369.3	553.3	353.7	90.8	100.7	87.0	122.3
24-9-1955 ..	306.5	397.5	324.8	368.6	554.9	351.0	90.9	100.7	87.1	122.2
1-10-1955 ..	308.3	396.2	325.0*	369.9	560 2	352.1	90.9	100.7	87.3	122.3
8-10-1955 ..	306.4	397.8	329.4	373.6*	559.9	353.5*	91.0	100.7	87.5	123.5
15-10-1955 ..	319.4	408.2	330.0	370.2	559.0	358.8	91.0	100.7	87.2	124.1

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi†	Calcutta	Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras June 1936= 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 October	346	363	236	141	336	404	369	134	338	145	143	138
November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	—
August	325	341	229	134	329	375	—	137	318	136	138	—
September	317	333	224	133	—	373	—	—	322	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	29-10-1955			22-10-1955			15-10-1955			8-10-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	95-12	94- 6	95- 3	95- 3	94- 4	94-14	94-12	93-10	94- 6	95- 0	94- 2	94-10
Silver (per 100 fine tolas)	169-15	167-12	169- 0	170- 8	168- 6	169-14	168- 4	166- 8	167- 9	170- 0	167-12	168-12

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	ASSETS: Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52:91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
February 1955	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March „	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54 41	101,74	485,44	1,287,58
April „	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May „	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June „	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July „	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August „	1,299,00	26,50	1,325,50	40,02	633 29	673,29	50.79	108,24	543,69	1,325,50
September „	1,290,78	23,49	1,314,27	40,02	668,07	708,08	53 88	110,51	494,93	1,314,27
Week Ending										
23-9-1955	1,285,69	26,41	1,311,34	40,02	671,82	711,83	54.25	111,32	488,95	1,312,11
30-9-1955	1,280,22	32,61	1,312,83	40,02	671,82	711,83	54.22	112,05	488,95	1,312,83
7-10-1955	1,301,45	9,89	1,311,66	40,02	646,97	686,99	52.39	110,56	513,79	1,311,34
14-10-1955	1,302,41	9,25	1,316,04	40,02	627,10	667,11	50.86	110,88	533,67	1,311,66
21-10-1955	1,303,26	8,73	1,311,99	40,02	627,10	667,11	50.85	111 21	533,67	1,311,99

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	Other Governments	Banks	Others	Total	Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23.91	266.72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,05
Average of Fridays														
February 1955	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,68	21,98	67,22	14,69
March „	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April „	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May „	52,97	17,90	48,89	22,08	141,84	38.25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June „	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July „	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August „	87,33	20,66	51.35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1.92	25,04	62,18	7,74
September „	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	51,57	1,02	28,64	52,13	11,65
Week Ending														
23-9-1955	58,94	12,24	58,53	16,34	146,05	23,05	179,09	26,55	13,73	49,63†	1,82	26,01	49,61	11,75
30-9-1955	58,04	11,64	62,77	16,37	148,83	22,86	181,69	32,75	14,28	47,66†	2,02	23,11	49,85	12,01
7-10-1955	51,15	9.59	67,25	16,36	144.35	23.82	178.17	9,99	11,90	69.43†	2.67	22,10	50.11	11,98
14-10-1955	51,76	29,08	61,94	15,86	158,63	24,87	193,50	9,41	9,91	91,60†	35	20,94	50,22	12,06
21-10-1955	48,34	25,48	57,59	15,88	147,29	27,17	184,46	8,85	8,23	85,41†	..	19,45	50,30	12,22

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.76	523,59	22,81	61.77	..
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	303,48
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	306,34
1954-55 ..	559,62	351,86	911,48	32,66	53,91	9.50	468,39	84,66	62.08	321,29
Average of Fridays										339,74
April ,, ..	587,73	380,42	968,19	34,43	46,61	8.37	507,25	119,49†	64.74	343,27
May ,, ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June ,, ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July ,, ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August ,, ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
Septembr ,, ..	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	106,18†	61.15	381,86
Week Ending										
16-9-1955 ..	599,15	412,62	1,011,77	33,04	49,27	8.13	500,43	105,03†	61.31	383,37
23-9-1955 ..	608 74	415,23	1,023,98	33,88	55,33	8.71	495,66	103,52†	60.43	381,44
30-9-1955 ..	611,40	417,58	1,028,98	32,34	60,85	9.06	489,64	103,70†	59.86	384,51
7-10-1955 ..	610 08	421.42	1,031,49	32,92	66,88	9.68	485,23	103,94†	59.38	385 93
14-10-1955 ..	609,81	422,07	1,031,88	32,56	60,52	9.02	485,36	104,10†	59.27	390,47

* Undivided India.

† Including foreign bills purchased and discounted.

NOTE: Column (10) indicates (8+9+money at call and short notice) as percentage of (4) from 14-5-54.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,784,55	1,199,25	585,30	548,95	36,35	−44,30
1953-54 ..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55 ..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
July 1954 ..	1,777,63	1,175,61	602,02	568,64	33,37	−28,73
August ,, ..	1,771,92	1,167,01	604,91	577,98	26,93	−5,71
September ,, ..	1,774,00	1,173,53	600,47	576,01	24,46	+2,08
October ,, ..	1,797,27	1,185,44	611,83	579,08	32,75	+23.27
November ,, ..	1,807,86	1,188,45	619,40	591,39	28,01	+10,59
December ,, ..	1,848 89	1,224,61	624,28	597,20	27,08	+41,03
January 1955 ..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February ,, ..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March ,, ..	1,980,90	1,311,77	669,13	599,16	69,97	+65,56
April ,, ..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May ,, ..	1,989,50	1,348,41	641,09	616,96	24,12	−13,68
June ,, ..	1,988,86*	1,344,00*	644,86*	623,62*	21,24	−64*
July ,, ..	1,975,93*	1,324,75*	652,18*	620,60*	30,58	−12,93*
August ,, ..	1,995,47*	1,314,76*	680,72*	632,70	48,02	+19,54*

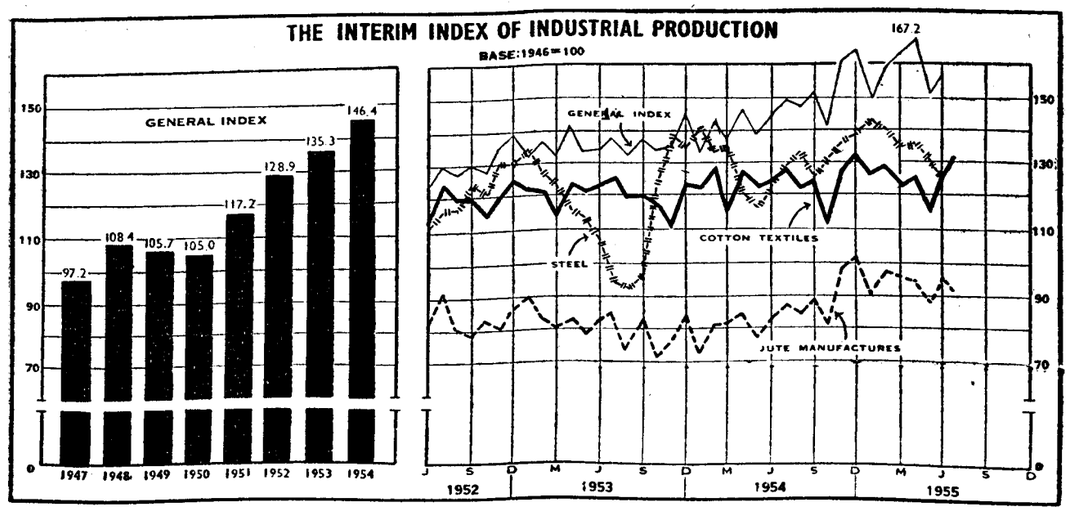
* Provisional.

Source: Monthly Bulletin of Reserve Bank.

THE INTERIM INDEX OF INDUSTRIAL PRODUCTION

(Base: 1946=100)

Period	General Index	Cotton Textiles			Jute	Coal	Sugar	Paints and Varnishes	Cement	Paper	Matches	Sulphuric Acid	Steel Ingots and metal for castings	Diesel Engines
		Total	Yarn	Cloth										
1947 ..	97·2	95.8	94·8	96.2	96·6	103.9	97.6	100.5	93.9	87.8	113.0	100.0	97.1	144.8
1948 ..	108·4	109.0	105·9	110.5	100·2	103.2	116.5	93.0	100.7	92.4	129.4	133.3	97.1	216.7
1949 ..	105·7	99.7	99·4	99.9	84·8	108.9	108.5	80.5	136.3	97.4	127.8	165.8	104.6	438.9
1950 ..	105·0	91.1	85·9	93.8	76·8	110.8	105.8	72.8	169.5	102.7	127.0	170.8	111.2	971.7
1951 ..	117·2	101.3	95·4	104.3	80·4	118.8	120.8	87.2	207.2	124.4	140.3	178.2	116.0	531.9
1952 ..	128·9	113.8	106·0	117.7	87·4	125.4	161.9	83.8	229.3	129.7	159.1	160.1	122.0	897.9
1953 ..	135·3	119.9	110·1	124.8	79.8	124.1	139.9	83.5	245.1	131.8	150.0	181.8	116.5	785.6
1954 ..	146·4	123.3	114·2	127·9	85.2	127.3	109.2	92.4	285.1	146.5	131.1	248.0	130.2	1,829.6
May 1953 ..	132.8	120.4	107.1	127.0	78.3	130.2	570.0	77.0	247.2	122.3	150.1	161.6	113.5	344 5
June ,, ..	133·2	122·9	111·0	128.8	81·2	122.6	136.4	79.6	251.4	121.6	151.9	165.8	107.8	522.3
July ,, ..	136·3	125.7	114·4	131·3	84.7	112.2	..	72.5	262.8	147.0	150.7	194.1	94.6	741.8
August ,, ..	131·0	119.5	109·6	124·5	73.5	111.9	..	82.5	234.4	137.7	126.4	207.3	91.2	887.6
September ,, ..	137·2	119·5	111·5	123.3	81.6	125.1	12.5	88.8	243.0	148.0	138.0	203.0	96.4	1,242.0
October ,, ..	133·4	118.9	111·9	122.6	72.1	119.7	32.6	93.6	251.3	137.2	119.5	214.1	121.2	1,430.7
November ,, ..	134.3	109.8	105.6	111.9	77.0	112.7	176.8	86.0	266.6	124.7	133.2	193.9	138.0	1,223.8
December ,, ..	144.7	122.9	116.5	126.1	84.0	128.9	127.0	85.1	282.2	122.1	134.4	212.3	134.4	1,737.5
January 1954 ..	133.2	121.7	113.4	125.8	72.7	118.3	105.9	97.5	276.9	114.7	130.4	218.4	140.3	1.672.1
February ,, ..	141.6	127.1	116.4	132.5	81.7	137.8	100.2	83.0	297.3	115.6	130.4	260.6	133.9	1,517.2
March ,, ..	138.1	117.2	107.9	121.9	81.6	125.1	97·7	95.5	296.9	127.4	130.7	225·8	134·2	1,807.9
April ,, ..	145.6	126.2	114·9	131.9	83.7	127.9	127.2	95·4	283.7	158.3	114.3	232.7	121.0	1,766.8
May ,, ..	140.3	121·7	110·6	127.2	77.0	121.3	43.3	102.4	285.0	141.0	125.5	234.4	116.2	1,664.6
June ,, ..	146.0	123.9	113.4	129.2	83.3	121.5	..	94.7	278.0	150.3	100.7	231.4	123.1	2,008.5
July ,, ..	150·5	127.2	116.8	132.3	87.2	120.8	..	95·1	278.6	148.2	127.5	261.8	128.6	1,776.2
August ,, ..	147·4	120.2	113·1	123·7	84.5	120.5	..	85.1	261.4	142·1	136.4	290.8	133.2	1,569.0
September ,, ..	152·5	111.4	115·8	127·6	88·2	133.5	293.8	96·8	285.1	149.1	139.4	262.5	125.1	1,865.6
October ,, ..	141.6	127.7	105·5	114·4	81.1	119.0	165.1	89.1	284.1	155.2	125.2	276.1	130·3	1,609·3
November ,, ..	160·9	123.7	120·0	131·5	98.9	139.9	361·3	108.0	290.6	172.5	141.8	262.6	136.9	2,276·1
December ,, ..	165·8	131.6	122·3	136·3	101.5	142.7	154·8	104·6	303.8	181·6	143·2	281.4	139·0	2,635.2
January 1955 ..	150·7	124·4	114.0	129·6	90.6	128.5	116 0	104·6	287.6	175.4	145.8	270.0	143.2	2,230.3
February ,, ..	158·7	128·0	118.3	132·9	97.8	146.6	127·0	102·0	307.3	173.2	162.1	263.2	139.3	2,079.6
March ,, ..	163·2	122·9	114.4	127·1	96.0	134.6	193.3	90·6	290.2	167·8	146·4	281·4	135.6	2,298.2
April ,, ..	167·2	125.8	116·5	130·4	95.6	136.1	583.5	82.8	239.5	172.9	151.6	268.6	135.9	2,299.5
May ,, ..	152·2	116.4	107·6	120.7	88.2	129.4	1,400.0	73.9	286.5	151.5	143.5	221.7	130.1	2,220.3
June ,, ..	156.7	125.8	119.2	129·1	95.6	129.5	1,263.6	75.9	259.8	172.1	148.0	218.7	125.1	2,065.6
July ,, ..	..	130.8	124·0	134·3	90.8	120.4	..	81.9	..	..	..	..	..	..



INDUSTRIAL PRODUCTION IN INDIA

(Monthly averages or calendar months)

Item	Unit	Latest Installed Capacity	1952	1953	1954	1955				
						March	April	May	June	July
Coal ..	'000 tons	..	3019	2987	3,064	3,304	3,233	3,175	3,075	2,956
Sugar ..	,,	113.1	124.5	107.6	84.0	306.9	194.9	84.0	13.9	0.8
Tea ..	Million lbs	..	51.2	50.7	53.5	9.2	31.3	48.7	78.0	87.3
Cigarettes ..	Lakhs	20208	16766	15353	16,523	18,490	19,410	18,380	18,270	..
Cotton yarn ..	,, lbs	..	1208	1255	1,301	1,329	1,309	1,250	1,340	1,440
Cotton cloth ..	,, yds	..	3832	4,065	4,165	4,422	4,192	4,010	4,150	4,460
Jute ..	'000 tons	..	79.3	72.4	77.3	88.9	85.7	81.7	85.7	84.1
Woollen Manufactures	,, lbs	1667	1382	1,604	1,563	..	..	..	..	..
Plywood ..	,, sq. ft.	11800	7545	5100	6,481	9,873	9,885	10,428	9,114	..
Paper & Paper Boards	Tons	15517	11459	11642	12,944	15,114	15,073	13,941	15,081	..
Sulphuric Acid ..	,,	17432	8007	9091	12,573	14,350	13,255	11,302	10.793	..
Caustic Soda ..	,,	3471	1422	1909	2,442	2,992	2,682	2,603	2,806	..
Soda Ash ..	,,	7500	3694	4739	4,024	6,955	6,570	5,509	6,768	7,193
Chlorine Liquid ..	,,	1529	520	678	815	713	646	816	972	..
Bleaching Powder ..	,,	650	66	162	244	226	201	211	262	208
Bichromates ..	,,	448	122	209	270	259	238	234	..	..
Superphosphates ..	,,	17710	3888	4025	8755	7,362	5,666	5,150	4,374	..
Ammonium Suiphate ..	,,	35492	18359	26,635	28,352	36,199	32,333	26,672	29,797	..
Paints and Varnishes ..	,,	5400	2681	2671	3,068	2,958	2,615	2,410	2,396	2,671
Matches (cases)† ..	Thousand	58.8	51.6	51.5	44.1	51.2	51.3	50.2	50.1	..
Sheet glass (sq.ft.) ..	,,	8440	753.6	1898.9	2759.4	3904.0	2924.9	1713.3	1,196.7	..
Cement ..	,, tons	370.3	294.8	315.0	366.5	380.3	303.7	375.4	351.9	..
Refractories ..	,,	27.5	20.3	19.0	20.0	22.6	21.3	21.5	22.3	..
Pig-Iron ..	,,	185.1	140.4	137.9	149.4	150.2	152.7	150.9	144.5	148.2
Steel Ingots and Metal for Castings ..	,,	128.5	131.5	125.6	140.4	149.1	144.6	143.0	133.1	..
Aluminium ..	Tons	625.0	297.2	313.2	407.2	627.5	599.3	653.2	613.3	610.8
Copper ..	,,	600.0	506.6	410.0	596.8	674.0	640.0	635.0	620.0	620.0
Lead ..	,,	500.0	94.3	141.2	149.0	211.3	200.0	170.7	174.1	..
Hurricane Lanterns ..	Thousand	416.9	293.6	359.4	415.6	351.6	473.3	460.8	497.0	..
Enamel-ware (pieces) ..	,,	2500.0	640.9	790.3	1248.1	1232.4	1265.4	1231.2	1014.3	..
Diesel Engines ..	Nos.	1356	354	310	721	914	885	883	795	..
Sewing Machines § ..	,,	3458	4170	5202	6683	8,010	8,282	8,484	8,200	8,536
Machine tools (value) ..	'000 Rs.	..	369.8	367.3	416.9	613.8	381.2	598.8	718.2	..
Dry Cells ..	Lakh	187.0	108.5	123.7	123.9	128.0	144.4	132.4	135.8	144.8
Storage Batteries ..	Thousand	24.2	13.2	14.7	15.7	20.2	19.2	20.0	19.2	18.7
Electric Motors ..	,, H.P.	16.7	13.1	13.5	15.6	20.6	20.7	19.5	20.6	16.8
Power transformers ..	'000 K.V.A.	31.5	17.9	25.7	33.3	42.1	39.6	42.9	36.9	46.6
Electric lamps ..	Thousand	2433.3	1740.0	1647.3	1923.0	2025.1	2122.5	2110.6	2145.9	2246.0
Electric Fans ..	,,	25.3	16.3	16.6	19.9	27.2	26.6	26.1	25.5	..
Bicycles ..	Nos.	41,000	16,413	22,014	31,030	38,990	39,414	41,040	42,810	..

† 50 gross boxes of 60 sticks each.

§ Installed capacity calculated for a single shift working, while one of the two units has been working more than one shift.

AVERAGE ANNUAL EARNINGS OF FACTORY WORKERS

PARENNIAL INDUSTRIES—1950-53

Industry	1950	1951	1952	1953
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
1. Textiles	971.4	1044.0	1122.0	1116.1
2. Footwear, other wearing apparel and made up textile goods	851.0	989.3	1122.0	1038.3
3. Wood and Cork except furniture ..	602.9	653.8	667.7	717.0
4. Furniture and fixtures	668.0	940.0	834.4	883.2
5. Paper and paper products	910.0	959.9	1019.3	998.5
6. Printing, Publishing and Allied industries	962.1	1052.9	1155.8	1123.4
7. Leather and Leather Products (except footwear)	640.7	752.3	718.9	879.1
8. Rubber and Rubber Products ..	1164.6	1325.1	1339.6	1431.9
9. Chemicals and Chemical products ..	871.4	868.9	974.2	1036.2
10. Products of Petroleum and Coal ..	1047.0	1131.8	1156.7	1407.8
11. Non-metallic Mineral products ..	729.2	699.2	695.9	824.2
12. Basic Metal industries	1175.6	1368.2	1532.7	1711.1
13. Manufacture of Metal Products ..	798.7	917.3	991.2	942.5
14. Manufacture of Machinery ..	1000.7	998.5	1030.3	1032.1
15. Electric Machinery, apparatus, etc. ..	1195.8	1237.6	1296.4	1309.1
16. Transport Equipment	1052.4	1170.7	1670.9	1164.2
17. Miscellaneous Industries	1014.8	1067.3	885.3	1074.1
18. Electricity, Gas and Steam	1198.9	1229.2	1300.2	1412.8
19. Water and Sanitary Services ..	951.8	907.9	973.3	898.7
20. Recreation Services	980.0	968.6	968.8	919.7
21. Personal Services	799.1	852.9	327.5	337.2
All Industries .. .. —	966.8	1035.6	1112.2	1108.5

AVERAGE ANNUAL EARNINGS PER WORKER IN FACTORIES

Industry	1950*	1951	1952	1953	% of Col. (5) to Col. (2)
(1)	(2)	(3)	(4)	(5)	(6)
Silk Mills	882.5	991.3	945.9	953.1	108.0
Woollen Mills	1039.9	987.9	930.2	1046.9	100.7
Paper	948.7	997.4	1047.6	1032.0	108.8
Tanneries and leather finishing ..	943.4	748.9	705.2	881.3	93.42
Fine and Pharmaceutical Chemicals ..	897.5	978.5	1009.7	1049.2	116.9
Matches	1430.1	841.5	891.2	961.2	67.21
Manufacture of Glass and Glass Products (excepting optical lenses)	632.3	692.3	719.9	776.9	122.9
Manufacture of pottery, China and earthernware	622.0	654.2	722.0	738.1	118.7
Manufacture of Cement	802.0	919.4	1073.5	1155.5	144.1
Shipbuilding and repairing	1206.0	1336.8	1317.2	1258.3	104.3

* Excludes Madras

Source: Indian Labour Gazette.

THE EASTERN ECONOMIST

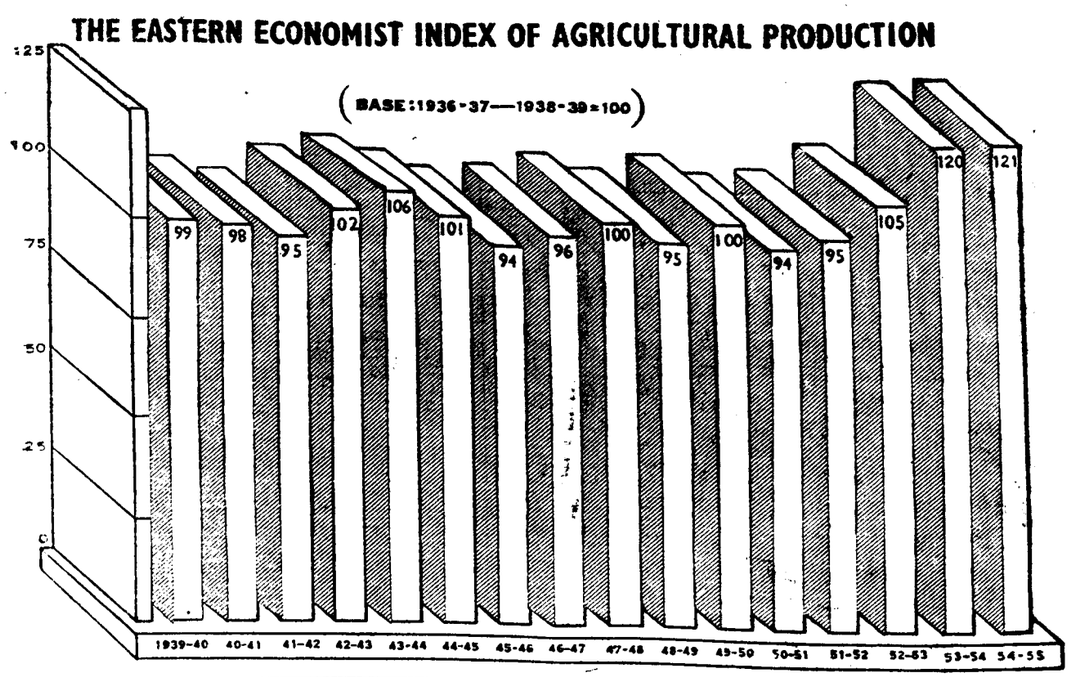
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INDIAN AGRICULTURAL PRODUCTION

(Base : Average for 1936-37 to 1938-39=100)

	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	(*) 1947-48	(*) 1948-49	(*) 1949-50	(*) 1950-51	(*) 1951-52	(*) 1952-53	(*) 1953-54	(*) 1954-55
Food Grains ..	**95**	**93**	**103**	**107**	**104**	**95**	**96**	**102**	**96**	**99**	**91**	**91**	**104**	**122**	**120**
Rice ..	88	92	99	109	102	96	104	102	98	101	88	90	98	118	105
Wheat ..	98	91	99	90	97	84	67	77	77	86	87	82	101	116	116
Millets	108	99	112	111	114	99	99	108	89	99	93	96	111	136	143
Gram ..	96	86	111	122	103	100	115	143	145	117	115	105	133	146	164
Fibres ..	**111**	**105**	**78**	**87**	**55**	**56**	**53**	**58**	**53**	**78**	**85**	**100**	**98**	**105**	**113**
Cotton ..	107	109	76	89	54	52	51	54	46	65	72	77	77	97	106
Jute ..	132	82	87	77	62	78	66	83	99	154	164	235	229	156	158
Oilseeds ..	**111**	**94**	**98**	**104**	**107**	**97**	**100**	**104**	**95**	**106**	**103**	**104**	**100**	**111**	**124**
Sesamum ..	110	95	106	102	88	88	81	88	84	108	113	110	113	132	148
Groundnut ..	118	82	91	125	122	110	114	109	92	107	109	97	92	114	122
Rape & Mustard	114	113	102	93	111	96	107	109	99	107	101	122	112	112	130
Linseed ..	99	81	92	86	89	83	77	101	99	97	85	73	85	83	91
Miscellaneous	**107**	**112**	**117**	**116**	**112**	**124**	**112**	**121**	**121**	**126**	**127**	**126**	**127**	**130**	**135**
Sugarcane ..	113	83	100	114	106	102	110	131	109	111	126	136	113	104	125
Tobacco ..	104	103	86	75	93	97	79	69	75	78	76	61	71	75	70
Tea ..	109	119	113	135	121	136	147	152	156	158	158	164	162	164	173
Coffee ...	89	112	102	108	108	159	96	99	139	128	116	130	142	184	156
General Index	**98**	**95**	**102**	**106**	**101**	**94**	**96**	**100**	**95**	**100**	**94**	**95**	**105**	**120**	**121**

(*) Revised.



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The Lull Before the Storm ?

THESE are halcyon days in New Delhi. Quietly and unobtrusively the fragments of the second Five-Year Plan are being put together to make, one hopes, an integrated whole. Present indications are that an outline of the second Five-Year Plan will appear in the third week of December. Observers in New Delhi have already had occasion to comment that this date differs somewhat from the original schedule. There are good reasons for the change, though not all of them can conveniently be made public. One at least can be hazarded. With the arrival of three of the USSR's topmost leaders within a fortnight, any major event of a different kind—even a new Plan—must look minor. Even if the arrival of the powerful trinity from the Kremlin were not

surrounded by carefully prepared adjuncts to romance—such, for example, as the historic flight across the Himalayas instead of the routine course —their visit would be invested with tremendous national interest. Never before in the history of the Soviet Union have its three leading figures at one time absented themselves for a period of three weeks from the heart of the Communist world. The heart, of course, can go on beating without them and there is no reason to suppose that any undue risks are being run. Nevertheless it is a fair conclusion to be drawn from the massive character of the visiting delegation that no ordinary routine visit is intended.

Enquiries in New Delhi have not suggested that any very precise plan of economic co-operation with the Indian Union has been prepared and, so far as we are concerned, it may be stated categorically that no specific proposal for Russian economic aid has been conceived for the discussions which will certainly take place when our Russian visitors are here. It can, of course, be surmised that friendliness between India and the USSR will be increased by this visit, just as friendliness between India and the USSR was increased by the Prime Minister's visit to the USSR three months ago. Friendliness between nations can of itself do nothing but good. The catch is in friendliness "with strings". Will there be no intangible strings in the new economic offensive which has been unloosed by the Soviet Union?

Here at least some concrete evidence exists to indicate the manner in which our distinguished visitors from the USSR are likely to view the South-East Asian scene. The firm measures taken in Egypt following the Czech arms deal and the milder, but potentially nonetheless effective, economic agreement with Burma following U Nu's visit to Moscow are clear enough indications that the USSR will play on the economic front in an imaginative and compelling way. There is no doubt that the initial reaction to these moves in both the Middle East and Asian countries has been one of greatly awakened interest. The Free World has certainly lost one great battle in psychological war.

Few people in the Indian Union recognise the extent to which action in detail has followed the general assurance of economic assistance to Egypt. Consider for example, the single instance of the assistance that Egypt is now to receive in respect of oil. Under new barter agreements, Egypt will obtain 100,000 metric tons of kerosene from Rumania in exchange for cotton, and cotton yarn and crude oil valued at about £2.5 million from the USSR in exchange for rice. These are additional items and do not include the 350,000 tons of oil which Egypt was obtaining from Russia and Rumania by previous agreements. These, be it noted, have already had an effect on Free World trade. For example, as a consequence of these new agreements, Egypt has cancelled her agreement with France under which she would have received from France 500,000 tons of Russian crude in exchange for gasoline and cotton. It is almost certain again that as a consequence of Burma's new agreement with the USSR, there will be some fall in demand from her for machinery from the Free World. In other words, the USSR is already encroaching on trade elsewhere. There is some diversion of trade in the agreements already concluded. There is every reason to believe this move will now be accelerated. There is no reason to doubt, if there is any equally good agreement with the Indian Union, that there will also be diversion from the Free World. The USSR will not, therefore, only be filling a gap; it will be striking at existing avenues of trade.

In the absence of detailed information in regard to the character of the proposals which the USSR is likely to make to the Indian Union in the next thirty days it is impossible to conclude that they are either desirable or undesirable. To argue that they are necessarily undesirable on political grounds is surely unwarranted. When Western Europe can carry on trade with the USSR and not be politically affected in any manner, it would be hypocritical for the Free World to maintain that only the East will be contaminated. And whether the Free World entertains this fear or not, it will not be acceptable to the Indian Union.

The fact must be faced—and faced if necessary with suitable action—that the USSR is at this moment a highly acceptable partner in India's economic development. Recent teams of Indian experts—particularly in steel and aircraft production to mention only two of our most recent delegations who had visited the USSR—have come back enormously impressed with the capacity of Russian industry. The opinion has been voiced in Delhi that the USSR and, in some respects some of her satellites are capable of producing goods in quality equal in all respects to those produced in Western Europe. In certain lines notably, in some steel processes and in certain types of jet aircraft, the Russians are reported to be in advance not only of Western Europe but also of the United States. This may not be a full and infallible assessment. But it has already cleared one major obstacle to co-operation, which was the fear that the Russians were technically behind the West in major fields.

At the present time there is no reason to suppose that there exists either in political or in economic terms any hesitation or bar to the conclusion of suitable economic agreements with the Soviet Union. This is not an issue on which there should be any doubt. If there is doubt, it is in the Free World outside India. Complacency in the Free World has often enough been its weakness in the past; it is its Achilles heel today so far as the Indian Union is concerned.

India's hopes of the USSR at this moment stand higher than ever before. This is both an advantage and a disadvantage for the Soviet Union. The USSR has now to make the grade. The USSR should be already acquainted with the point that, if a substantial offer of assistance is not made to this country in the next few months Soviet prestige which is running at its height will suffer a steep decline. The guess may be hazarded, in the light of the imaginative policy which has been followed in Egypt and Burma that the leaders of the Soviet Union will not miss this great opportunity. The question that is being asked by the friends of the Free World in India is: What then? At the present time friends of the Free World can well be disheartened. Liberty seems to require a very heavy price. The democracies are slow to act. We should not lose heart. Perhaps, it is good for us to have a testing-time. Perhaps, too, if winter comes, spring cannot be too far behind.

The Choice before Maharashtra

THE Congress Working Committee's decision this week agreeing to modify the States Reorganisation Commission's proposals on Bombay and Vidharba cuts the Gordian Knot of the problem of Maharashtra which has all along baffled attempts to secure an agreed solution. A formula on the lines now accepted—for Bombay City being treated as a separate State along with Maharashtra and Gujerat—has long been regarded as inevitable. The composite character of Bombay City has impressed all the Committees which have successively gone into the question of the creation of Maharashtra. The only obstacle to a solution which recognises this fact has been the refusal of the Maharashtrian leaders to give up their claims to Bombay City. An imposed solution had thus become inevitable if this region were to be reorganised with the maximum concession to public opinion. The States Reorganisation Commission found a different solution; instead of a separate Bombay City as now, it recommended a separate Vidharba State and a bilingual State of Bombay, denying separate statehood to the bulk of the Maharashtrians and all the Gujerathis. It was not, in the nature of things, a solution which could endure and become politically feasible. The new formula is being put forward only as an alternative to the S.R.C. recommendation but it is clear that it presents a Hobson's choice to the Maharashtrian leaders.

The most satisfactory feature of the Working Committee's decision is that it has been taken after consideration of all the opinions expressed on the S.R.C. Report during the last four weeks. Doubts had been expressed about the wisdom of allowing political groups to canvass for the alteration of the S.R.C.'s proposals so soon after they were published but since there was readiness among the leaders to make quick decisions and give a clear lead to the party and the country, the controversies raised in the last month have not been in vain. Mr. Nehru has been assuring all sections that their wishes woud be respected and if there are still some sections left unsatisfied, it cannot be helped because some degree of finality is necessary at this stage.

There must be general satisfaction over the fact that this finality was not left with the Commission and that the responsibility has been taken at the highest political levels. It guarantees the enforcement of these decisions with all the influence for persuasion and compulsion which the prestige of the party and the resources of the Government can command. These would have been the ultimate sanctions behind any of the alternatives that might have been chosen, because each of the suggested solutions was bound up with emotional attitudes of one kind or another that would have created discord. A firm attitude would have been necessary in any case, after decisions are taken.

It must be noted, however, that the present alternative solution has been facilitated by the S.R.C. Report only in the sense of its having provided the provocation for a quick decision. Hitherto, controversy has centred round Bombay alone but the S.R.C. Report has had the effect of creating another source of dispute on this question through the recognition of the claims of Vidharba for separate statehood. This has proved an additional complication. But it has served at least to expose the weaknesses of the Maharashtrian case for a unilingual State. Some irresponsible leaders of Maharashtra have tried to find scape-goats among the Bombay business community for their failure to secure the inclusion of Bombay City in Maharashtra. But the general reluctance in the Vidharba area to join a United Maharashtra is a slap in their face, which they cannot explain away by any such theory.

Language does not, in every case, provide a basis for homogeneity and just as the prospect to Vidharbans of exclusively enjoying the wealth of their soil has proved attractive, the desire of the Bombay communities to remain apart from purely linguistic States seems quite understandable. At the same time it is not necessary to accept at face value all the dire prognostications made by certain sections, including the business community, if Bombay were to be included in Maharashtra. There is no reason why Bombay's existing life and economic activity should be disturbed merely by its inclusion in Maharashtra when Calcutta or Madras has not similarly suffered. Ultimately the maintenance of Bombay's prosperity and composite character would depend on the methods to be pursued by those in power; and if Maharashtrian leadership has not inspired confidence by showing a sense of responsibility, no blame can attach to those who have been apprehensive. An opportunity is likely to be given to Bombay City to join Maharashtra by a special resolution of the Legislature at a later stage and that is as far as any concession to Maharashtrian feelings can go at the present time.

The Maharashtrian leaders have been now presented with an opportunity to display any reserves of statesmanship which they may still possess. Though the Congress High Command will take the responsibility now for persuading Vidharba to join Maharashtra, some new assurances and safeguards may be called for, considering that the S.R.C. had regarded some of the old formulae as not workable. There will be a problem of pooling resources and sharing wealth among the three component units—Marathwada, Vidharba and Maharashtrian Bombay—which requires new common bonds to submerge the old group feelings. Without Bombay City's financial backing, a new viable State has to be created which would test the capacity of those at the helm in the new State.

At the moment, passion may cloud the issues and prevent a calm consideration of the tasks ahead. There are no real non-controversial alternatives. The Maharashtrian P.C.C.'s proposal for a composite State of Bombay including Vidharba was no real solution; it was a political strategem which helped the Maharashtrian leaders to avoid facing the issue of Bombay City squarely and conceding the case for its separate existence. It showed a lack of courage in the leadership to give up a vexatious claim. Having transferred the burden of decision on this matter to others, the leaders of Maharashtra can now at least help themselves and the country by refraining from any action which would hinder implementation. All eyes would be on Maharashtra to see whether this response is forthcoming and no section of the country will hesitate to disapprove of any agitation or lack of co-operation.

Coal and the Plan

THE Finance Minister's remarks at his Press Conference last week on Government's policy on coal nationalisation were not mere *obiter dicta*. Mr. Deshmukh was more or less reiterating certain views which have been attributed to Government during the recent discussions of coal policy with private interests, but the hope has persisted that since the shortcomings of the Government's approach have been pointed out, there would be some essential modifications before final policy decisions were taken. Though no firm policy declaration has yet been made, Mr. Deshmukh's remarks seem to indicate that policy stands very much in danger of crystallizing on the same lines. The main issue all along has not been whether there would or would not be an immediate nationalisation of existing mines. With the allotment to the private sector of a share, however small, of the additional coal production under the Plan, the question of taking over existing mines may not arise immediately. But the conditions under which they should continue to work and expand coal production are highly relevant.

No one is prepared, said Mr. Deshmukh, to give any guarantee. The Policy Statement of 1948 far from declaring that coal "will not be nationalised" as the Finance Minister implied, had only deferred such decisions for ten years. But the immediate question is what assurances the private sector can reasonably expect in planning for the additional production. The Finance Minister has only reiterated the view that if the private miners "make plans for increasing their production and lay out money accordingly, then whatever money they lay out or whatever equipment they buy *for this additional production*, will in the case of nationalisation be paid full compensation." (Italics ours) With such an assurance, Government presumably expects the private sector to proceed with the plans for increase of production demanded of it.

The argument against taking such a limited view of the problem has been stated before but would bear repetition. The question of giving any assurance at all arises only because the latest Constitutional Amendment has withdrawn the right of justiciability for compensation which was available when the Policy Statement of 1948 was enunciated. The coal companies have no remedies open to them on their existing investments and even the Finance Minister could only indicate in a negative way and in a different context, that there was no reason to assume that Government has already made up its mind to pay compensation which is not fair to Indian industry. A mining industry is in the peculiar position of having wasting resources which decline faster with larger production. It must be obvious even to the mere layman that in an extractive industry working under increasing costs, even the maintenance of existing levels of production would require a constant flow of new investment, apart from fresh investments needed to sink new shafts when old mines are depleted.

Official opinion seems to be rather naive when it assumes that only the additional production of 8 million tons allotted to the private sector would need fresh investment and that the existing production would, as if by some magic, remain steady, without requiring any new outlay. In short, the question has to be asked whether the objectives of the Plan would be fulfilled if eight million tons of coal are raised through expansion schemes or new mines in the private sector, while in the rest of the sector there is a decline from existing levels of output, which neutralises that increase. There exists some uncertainty already because the policy of licensing new undertakings under the Policy Resolution of 1948 may itself prove restrictive and prevent new mines being opened up to offset the deficiency in output in depleted mines on the plea that except for the additional production needed, all new undertakings should be in the public sector. The Policy Resolution did not contemplate such a definition but if the private sector should be left with the impression that it is being squeezed out, it cannot be blamed for being unduly apprehensive of obstacles at every turn. If to this is added the lack of assurance about investments required to maintain production, fulfilment in the private sector can be made well nigh impossible.

The implications of such a policy have to be weighed with care because the success of a Plan which lays emphasis on industrial development would largely depend on achieving targets of output and movement of coal. There is reason to believe that the existing uncertainty has led to some wasteful methods of mining in order to economise on new development works. The Estimates Committee recently deplored the slow progress of mechanisation, without paying sufficient attention to the lack of incentives for investment on machines. If the life of a mine is not too long it is hardly possible for fresh investment to flow unless continuity of operation was regarded as possible by sinking new shafts even within the scope of existing leases. If miners are compelled to take a short-sighted view, de-pillaring may become an easy alternative to development. Regulation and policing may discover culprits but cannot provide alternative coal supplies.

A risk of this order can hardly be taken, especially when the plans in the public sector for the bulk of the additional production are still undefined and would in any case involve strenuous effort to increase output from 3 to about 18 million tons, almost entirely through opening up new mines within the Plan period. These plans involve investment on an extravagant scale at a time when there is an apparent need to ration resources, though the private sector can, under the influence of an imaginative policy, accomplish it with much less difficulty and without making demands for finance on the public sector. That, however, is a different issue. A time-lag in achieving the new output, even if all the public sector's plans go smoothly, has to be provided for and a hazy ideological policy which would jeopardise existing output and the bare needs of coal during the next few years, has to be eschewed. Compensation for existing investments in the case of nationalisation is uncertain enough, even if it is to be generally assumed that it will not be wholly unfair. But there is no reason for discriminating between investments made henceforth because they will all be needed to help maintain the private sector's contribution of 42 million tons. The second Five-Year Plan cannot be allowed to founder on coal.



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United States Government Securities and Securities Guaranteed by the Government	2,241,000,424.34
Federal Agency Securities	173,596,191.18
State, County, and Municipal Securities	590,106,961.58
Other Securities	109,285,913.81
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,252,410,322.99
Other Loans and Discounts	3,049,681,759.30
Accrued Interest and Accounts Receivable	50,756,654.10
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	80,437,247.09
Other Real Estate Owned	1,884,091.63
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	231,605,567.34
Other Resources	2,764,055.93
TOTAL RESOURCES	$ 9,240,087,971.63

LIABILITIES

Capital	$ 150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits	122,206,954.85	
Reserves	5,647,746.64	
TOTAL CAPITAL FUNDS		$ 477,854,701.49
Reserve for Possible Loan Losses		66,752,053.04
DEPOSITS Demand	$ 4,160,622,659.36	
DEPOSITS Savings and Time	4,229,974,345.42	8,390,597,004.78
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		233,983,523.42
Reserve for Interest Received in Advance		41,093,906.31
Reserve for Interest, Taxes, etc.		29,806,382.59
TOTAL LIABILITIES		$ 9,240,087,971.63

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Cash and Due from Banks	$ 99,903,360.20	Capital	$ 10,000,000.00
United States Government Obligations, direct and fully guaranteed	23,490,150.62	Surplus	4,000,000.00
Other Securities	8,729,182.00	Undivided Profits	417,506.02
Loans and Discounts	64,629,678.76	TOTAL CAPITAL FUNDS	$ 14,417,506.02
Accrued Interest	300,962.61	Reserve for Possible Loan Losses	830,295.83
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	47,905,603.73	Deposits	131,453,822.07
Other Resources	531,412.05	Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills and Notes	48,071,649.52
		Reserve for Interest Received in Advance	139,149.84
		Reserve for Interest, Taxes, etc.	578,921.27
TOTAL RESOURCES	$ 195,690,350.55	TOTAL LIABILITIES	$ 195,690,350.55

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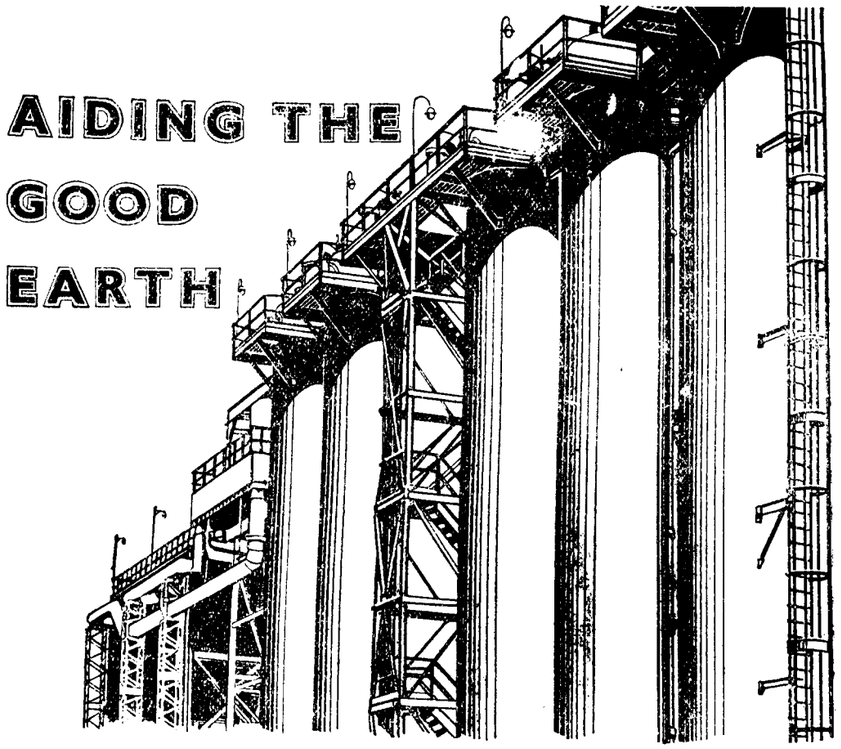
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THE WEEK'S NOTES

THE WORKING COMMITTEE DECIDES

IN REACHING important decisions on the SRC report this week, the Congress Working Committee has established a reputation for quick decision. Those who recall the vacillation on Andhra would welcome this development. The High Command has provided the only alternative that was available to resolve the Bombay tangle; a change of the SRC proposals on these lines had long been regarded as inevitable. The Working Committee's anxiety to see Visalandhra established immediately is also commendable for it would be unwise to prolong some of the controversies when there is desire to end as many of them as possible by next year. The acceptance of the Central Indian leviathan —the new Madhya Pradesh—with only a change in the capital proposed, was rather surprising. The suggestion for the Constitution of the Amindive and Laccadive islands into a centrally administered area also repairs an error of the SRC. On the other smaller, but equally controversial, issues of boundary demaraction, there has been preference for decisions at the higher political levels to arbitration by judicial agencies. Boundaries within a country are essentially political issues which should not require judicial arbitration and high-level compulsion on parties to compromise on differences may prove more enduring than awards.

The question of the Punjab is still undecided and the sub-Committee now constituted to find a solution is faced with the task of ensuring acceptance of a formula which would safeguard linguistic minorities and assure the Sikhs of fair treatment. The SRC could not in this matter provide any help beyond exposing the untenability of the claim for a Punjabi Suba. Whether Himachal Pradesh will continue to be centrally administered or continue as a separate State is yet another question to be answered if the SRC's recommendation on the Punjab is to be varied. The Working Committee has not been in a position to accept the somewhat vague prescriptions in the SRC report about integration of the services and joint service commissions and to say that they require further study may well be the most convenient way of dealing with them for the present. The SRC's recommendations have stood the test on a number of matters, even though on a major issue like that of Maharashtra it was necessary to alter the approach. The personal responsibility taken by the top leaders provides the most satisfactory approach to a long-drawn-out controversy which one must hope would end without rancour at this stage.

A REVOLUTIONARY KEYNOTE

THE DECLARATIONS made at the 38th anniversary of the Bolshevik Revolution this week have contained some surprising, though welcome, statements. Mr. Kaganovich, Deputy Premier is reported to have declared that any attempt to foster revolution—which he regarded as an "inexportable and highly national phenomenon"—by force of arms was tantamount to imperialism itself. There is no reason to cling to such statements when even a person in the position of Mr. Molotov can suddenly recant and revise his notions. Mr. Kaganovich did not specifically deal with situations where revolutions can be instigated without force of arms in situations which may lend themselves to interference from outside. His 'keynote' speech emphasised the fact that the call given by the great Marx and Engels has been achieved, thereby reiterating the point connected with the Molotov controversy that Russia has completely achieved socialism.

The purpose of this emphasis on this new doctrine has not been clearly understood. It is probable that it is intended to reaffirm the strength of the Soviet Union and to prove to the Russian people as much as to outside observers that the leaders do no longer fear that the progress of socialist construction would be impeded by the flow of trade and other contacts with the free world. If that were so, it would enable the relaxations of the Iron Curtain of which there has lately been much evidence and there is also a keenness about improving trade relations especially with Asian countries. Mr. Kaganovich had an impressive list of Soviet peaceful policies to show—the rapprochement with Yugoslavia, the Austrian State Treaty, the evacuation of Port Arthur and the Finnish base, the relations with India and Burma and finally, the understanding with Western Germany. Read together, they sound impressive. It would no longer be wise for the Soviet Union to plead the fear of encirclement" as an excuse for its militaristic policies.

NATIONAL ACCOUNTS SYSTEM OF U.S.

THE FEDERAL Reserve Board after nine years of intensive work by its economic experts have evolved a new broad structure for gauging and interpreting the U.S. economy. The new structure which was published last month is called "the flow of funds system of national accounts." It includes every transaction that is carried on through the use of money or credit. Though the system was developed in its present form particularly for interpreting the U.S. economy, it can be adopted to the institutions of any other country with a highly developed financial system.

The national accounts system does not purport to give a quantitative measure of economic activity, nor does it test economic performance but is designed to supplement the national production and input-output type of productive measures. It will enable analysts to probe into financial transactions and will supply them with fresh glimpses of the strategic money and credit sectors of complex modern economies. The national accounts system recognizes that the flow of funds it mirrors arises from transfers of existing property as well as current production. Accounts have been prepared from 1939 onwards and they make it possible to observe changing patterns in the utilisation of credit and capital markets as fluctuations in production and consumption occur.

The flow of fund accounts have enabled its economists to trace and evaluate changes in the structure of private debt since the end of the war. The national system has also given a fresh perspective on current and future economic development by providing a framework that brings measures of income, consumption and capital expenditure together with measures of borrowing and lending.

In the national accounting system are set out the transactions of ten major groups—called sectors by the Board. The ten sectors are consumers, corporate business, non-farm non-corporate business, farm business, Federal Government, State and Local Governments, banking system, insurance, other institutional investors, and rest of the world. Transactions of each of the sectors are recorded among 12 non-financial and 9 financial categories. They include such items as payrolls, interest, dividends, taxes and insurance premiums as well as currency and deposits, non-mortgage bank loans, and corporate securities. While accounting for a particular year ten sectors are listed across the top of a typical national accounts sheet and 21 categories are lined up down the left-hand side. Twin sets of boxes are used that show the source of funds received by each sector and the use to which they are put.

The importance of this system is that it makes possible the tracing of relationship among key economic sectors; its further developments are likely to be watched with keen interest.

WESTERN PROPOSALS ON GERMANY

HAVING REJECTED Soviet Foreign Minister Molotov's plan to solve the German question by keeping Germany divided, the three Western Foreign Ministers tabled in Geneva on November 4 a short, simple proposal for immediate action to carry out the Eden plan for the reunification of Germany, as stipulated in the directive of the heads of government. In accord with their general plan of October 28, the Western Foreign Ministers propose that there should be all-German elections in September 1956, and that the four-Power commission to prepare the necessary electoral law should be promptly set up and report by next January. The Western proposal was put forward, after consultation with the German Federal Foreign Minister, "on the joint initiative" of the three Western Governments and the German Federal Government.

The Western proposal provides that free and secret elections should be held throughout Germany during September 1956 for the selection of representatives for an all-German national assembly to draft a constitution and to form a government thereunder for a reunified Germany. Each of the four-Powers will designate a representative to a commission to prepare, in consultation with German experts, the electoral law for such elections, including effective provisions for safeguards and supervision to ensure the freedom of such elections. The commission should undertake its functions promptly and submit its report to the four Powers by January 1956.

M. Molotov's first reaction to the Western proposal, was far from encouraging. It is reported that before the Western proposal was tabled, the British Foreign Secretary, Mr. Harold Macmillan, challenged M. Molotov to answer a series of straight questions which put the essential issues in a nutshell. He asked whether M. Molotov agreed that it was desirable to reunify Germany at the earliest possible opportunity, or for the present, to keep it divided. He was also asked whether he agreed that the safeguards which the Western Powers have proposed would be sufficient to ensure genuinely free elections and whether the freely elected representatives of the German people were not the right persons to draft the constitution and start negotiations for a peace treaty as soon as possible on behalf of the whole German people.

M. Molotov gave no straight answer but his insistence on the preservation of East German economic achievements avoided the need for specific answers and clearly indicated that Russian purpose was to keep Germany divided in spirit even within a formal political union.

SUDAN'S FUTURE

BRITAIN HAS now joined Egypt in inviting India to serve on the proposed international commission to supervise the plebiscite to determine the Sudan's future affiliation. This brings to an end the controversy between Britain and Egypt about the Commission's responsibilities which was one of the two reasons why India had hitherto hesitated about serving as a member. The Anglo-Egyptian agreement of 1953 had envisaged a period of uncertainty between the moment when the present Sudanese Parliament voted on self-determination (which happened last August) and the time when the Constituent Assembly elected under International Supervision could itself decide whether to be linked with Egypt or not. Those who made the agreement foresaw no mutiny in the South. They did not suppose that as soon as the British and the Egyptian troops had left, Khartoum's power would be assaulted.

There has been unanimity now in Khartoum that complete sovereignty must be achieved as soon as possible. The powers have left the Sudan, and there can be no going back on that. The resentment the South feels against the North will need time to disappear. So long as Sudan's future remains shaky no plans can be laid out. Since the Sudanese wish now to decide their future, there should be no difficulty in accelerating the pace of work on holding the plebiscite.

AN ASSESSMENT OF COMMUNITY PROJECTS

A RECENT United Nations publication entitled "Principles of Community Development: Social Progress through local Action" has characterised India's programme of Community Development work as the "most extensive nation-wide programme of community development recently undertaken." The Report summarises the experiences of community development work in many countries of the world and provides useful guidance and assistance for implementation of such work based on the experience of the different countries.

Referring to the administrative arrangements that have been made for the implementation of the programme, the Report says: "A significant aspect of the administrative arrangements.....is that it aims at the transformation of the existing general administrative structure into welfare cadres rather than at the establishment of a separate and distinct welfare administration. This implies that the machinery which was at one time devised for revenue collection and maintenance of law and order is being changed into a welfare administration and the resources of all the development departments of government are being utilised to the maximum advantage for a concerted attack on the problem of rural development." At the outset such organisation did cause some difficulties and misunderstanding, for example, the impression at first was that community development was the sole responsibility of the Development Commissioner and his staff. It required constant emphasis to point out that community development involved responsibility and active participation of a number of governmental agencies, the Development Commissioner being primarily the co-ordinating agent.

The Report concludes with the observation that the time for a full assessment of India's programme has not yet arrived, as so far only the foundations are being laid. "The overall impression, however, is that the nation-wide programme of community development in India was well founded and is making rapid progress. However, to be better assured of its success a period from five to six years would appear to be necessary to allow the community projects to develop."

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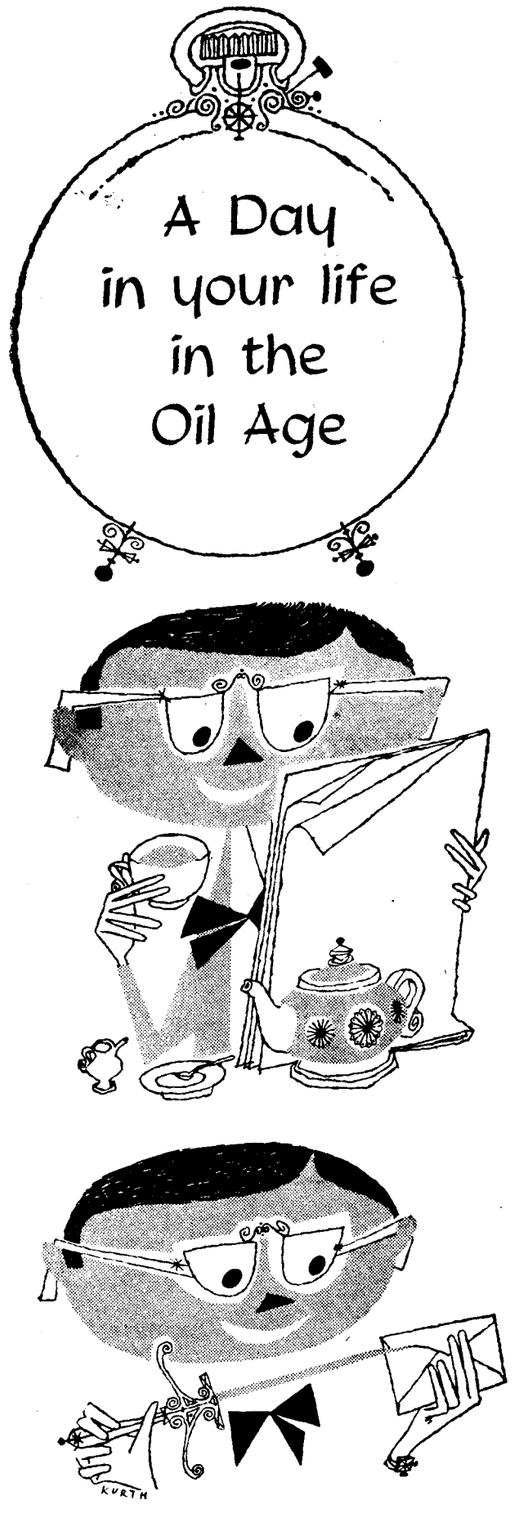
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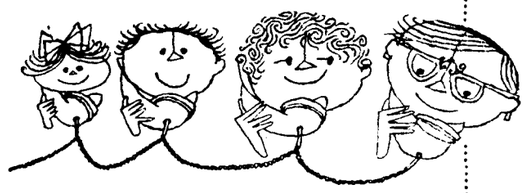
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BURMAH-SHELL...

IN INDIA'S LIFE AND PART OF IT



A Window on the World

MARRIAGE AND TAXATION

By

ODYSSEUS

ALL WHO HAVE REFLECTED on the facts agree that the steeply progressive system of income-tax in vogue in India, Britain, and some other democracies, steadily transfers more and more power and initiative from the individual citizen to the state (i.e., impersonal committees of anonymous civil servants), and that if this process is not recognised, attacked, and halted, those states whose professed ideal is the preservation of democracy and of individual freedom will end up within a relatively few years as the sole owners of property and the sole employers of all types of labour from managerial skill to road sweeping. Thus by taxation will they have insidiously brought about that very totalitarian state control from which they profess to recoil in horror.

We argued last week that one important step in halting this process was to ensure simultaneously the rise of the national income and a halt to the increase of state expenditure, so that state expenditure may gradually become a lower percentage of the national income. This week, we examine possible reforms of the tax structure.

AN ANTI-MORAL LAW

We must concede that democratic leaders are more distinguished for their fear of mass electoral unpopularity than for the courageous and uncompromising leadership that, for example, characterised Winston Churchill during his period "in the wilderness" in the inter-war years. A substantial reduction in the steep progression of taxation is therefore too prickly a thorn for the average faint-hearted legislator to grasp. But there are other ways, as Professor Lionel Robbins says in a magisterial survey of income tax problems in the October issue of Lloyds Bank Review. While substantial reduction in surtax might arouse a popular outcry, a reform of the tax system as it affects marriage and the family would probably secure widespread popular support.

How many people realise that, under the present Indian and British tax laws, married couples with independent incomes that add up to more than a certain figure would be better off if they lived together without being married? This is, of course, directly due to progression; under a strictly proportionate tax, it would not matter whether incomes were aggregated or not. It is astounding that, in communities professing respect for the institution of marriage, this direct tax on marriage—or, to be precise, on marriage among the better off middle classes—is tolerated.

The report of the British Royal Commission on Taxation pointed out that this anomaly does not affect all married persons and that it is not until aggregate incomes reach certain levels that the tax on marriage begins. This is useful as a corrective to loose thinking, but from the ethical viewpoint it means nothing; the tax remains a tax in the instances where it is levied, and it is not a creditable tax system that discriminates between income groups by offering disincentives to marriage.

MARRIAGE, MORALS, AND TAXES

The British Commission added that it is doubtful whether the effect of the tax in positively encouraging what they call "more casual associations" is in fact at all extensive. This may be true, although evidence in support of it must have been hard to obtain. As peoples, both Indians and British, attach great importance to the married state and are prepared to make sacrifices to achieve it. But, as Professor Robbins remarks drily, it is difficult to see how the failure of a policy to produce a certain effect, because of strong resistant moral factors, can be regarded as in itself a convincing vindication of the morality of that policy. We may rejoice that the citizens have not been seduced from virtue by a certain tax penalty, but we do not for that reason regard the penalty as justifiable. We may be confident that the British Commission would have strongly condemned any subsidy to "more casual associations". Yet, as Robbins pithily argues, the distinction between immunity from a tax and eligibility for a positive subsidy, though real, is hardly so great as to warrant complete reprobation in the one case and comparative lack of concern in the other. Nor, from the ethical viewpoint, is the warning relevant that the rectification of this anomaly would be expensive to the Exchequer: the greater the expense of rectification, the greater the tax on marriage.

I agree with Professor Robbins in urging, however, that we should not be content with mere rectification by abolishing aggregation. We have here an opportunity for an innovation of policy which would give marriage and the family a place in the Indian and British tax systems corresponding to our lip-service to the national importance of these institutions. Under the American system, husband and wife may roughly aggregate their incomes and then each be taxed on half of the aggregate. Under the "quotient" system in other countries this aggregation and division is extended to the family: each child counts as a certain fraction of an adult for purposes of division. This solves the double problem of eliminating some of the injustices of progression and of providing allowances for children in some measure proportionate to the expenses of the income group in which they are born. Professor Robbins calls this "a counter-agent to the differential birth-rate", by which I suppose he refers to the tendency for the middle classes in most countries to have fewer children than the poorer classes. Why economists cannot express a simple idea in simple language, I have never been able to understand.

That such arrangements are actually in force in various countries should at least make us pause before we dismiss these suggestions for modifications as frivolous. Why should a nation which professes to regard the family as the foundation of society act against its ideal in its tax system? Is there any reason to suppose that the change suggested here would be opposed to popular sentiment? Would it lose a timorous politician a single vote?

COMRADE STALIN'S VERDICT

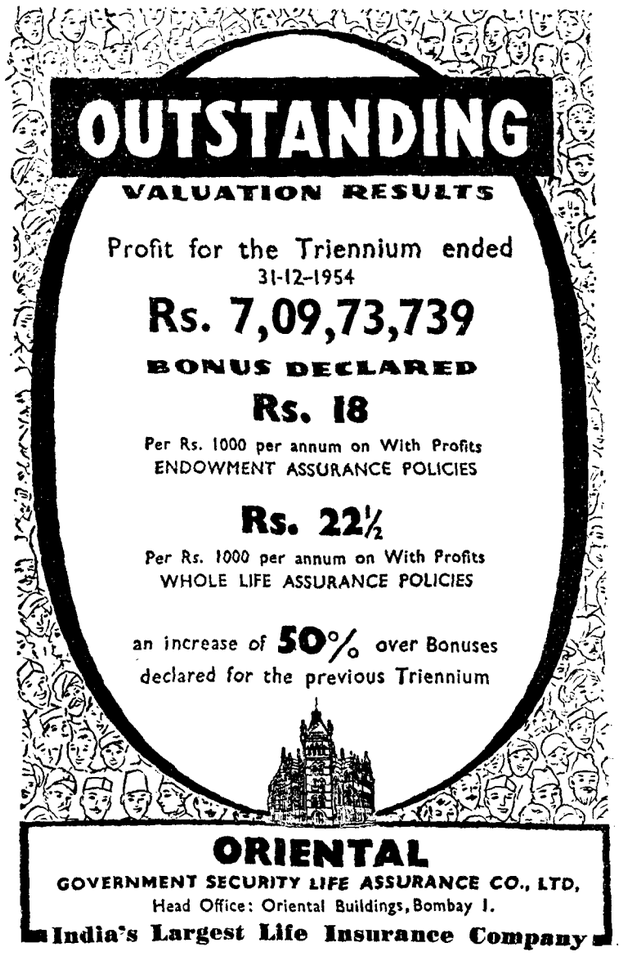
We have introduced death duties in India. Is this one more example of how we tag along a couple of decades or so behind Western practice and thought? For

Professor Robbins points out that the taxation of property at death under existing British law is one of the most powerful weapons of social change towards unrecognised goals. There is a vast difference between a system which taxes the estate as a whole on a steep graduation and a system which applies the same graduation not to the estate as a whole but to the portions received according to the testator's dispositions by the legatees. The first system tends to obliterate privately owned property; the second to diffuse it more widely.

There can be no objection to a system which tends to remove the extremes of that inequality which must always spring up in any society owing to the differences in the value of the product of different kinds of effort and enterprise. Was it not, indeed, the great and good Comrade Stalin who said: "The sort of socialism in which everyone receives the same wages, the same quantity of meat, and the same quantity of bread, is unknown to Marxism. Equalisation in the spheres of consumption and personal life is reactionary petty bourgeois nonsense, worthy of some primitive set of ascetics but not of a socialist society", and not, I would add, of a free democratic society either. But there is every objection to a system which simply appropriates property, uses the proceeds for current expenditure, and leaves more and more of the functions that used to be discharged by property to be discharged, if at all, by the state. "The present system", says Professor Robbins, "is through and through collectivist in its ultimate tendency; and while fully admitting the need for extensive collectivist functions in any well constituted society, I view the prospect in which the collectivist Leviathan is confronted only by dependent individuals as a condition which we should seek to avoid."

Contrast the effect of death duties on legacies and on estates as a whole. Even if the rate of tax graduation is the same, the principle of progression applied to legacies is a positive incentive to diffusion. On present British rates a man leaving an estate of £200,000 (Rs. 26,00,000) would pay twice as much tax if it were bequeathed in a lump sum than if it were divided into four equal portions under a system of legacy tax. The effect of a legacy tax over the years would be a society different in kind in the ownership of property from the society produced by an estate duty. A society brought about by legacy duties would be more robust, more independent, more capable of decentralised initiative, less liable to mass hysteria and to mob movements. It would, be practical realisation of some of the ideals, not of a collectivist, but a distributivist society. Which is why the Communists will doubtless be against it. But do we, who profess not to be Communists, have to follow the party line?

[This is the final article in a set of three. Previous articles were: "The Latest Hair-do in Taxation", October 28, and "Gandhiji Without Jamnalalji?", November 4.—Ed.]



A DELHI DIARY

I MUST apologise profoundly for my absence last week. A diary on the Indian Industries Fair reached the obdurate printer too late for inclusion. It seems punctuality is the politeness of journalists as well as of kings. Since I am anxious that the absence of a Delhi Diary last week should not imply that I had nothing to say on the greatest event it contained—the opening of the Indian Industries Fair—I am taking time off important current events to deal with things that happened a fortnight ago. I hope I shall be forgiven for this disrespect to the immediate present. I am reminded, however, that journalism, in any case, is half history and, therefore, some little "backing-up", as the Americans call it, is in order. I am backing-up this week on the Indian Industries Fair.

PROS AND CONS

Like every question of importance the Indian Industries Fair has its pros and cons. Less happily, its opening Committee has its friends and its enemies. There has been an appropriate volume of praise on the general conception of the fair. Most foreign visitors—with whom I have conversed on the organisation and the appearance of the fair—tell me that in outward aspect it is equivalent to any fair that they have seen anywhere. I do not think that most people recognise what a bold decision it was to attempt anything on this scale with so many points of contact outside the country. Some of my friends belittle this; they tell me that we organised a most successful Railway and a successful Low Cost Housing Exhibition; this was no different. We had, however, in both the other cases practically all the instruments of operation under our control. In the present case, the volume of international correspondence and work I estimate to have been ten times what it was in what I will now call our "domestic" exhibitions. The scale of international operations certainly was so different from any previous exhibition that has taken place in India that it amounts to a difference in kind.

It is right that this difference in scale should excuse a defect or two here and there. Indeed, it would be surprising if there were not major defects of organisation in the first large attempt. Whether the defects are in fact major as is contended by some or minor as is contended by others, there is no doubt that the fire in the Rumanian stall in the first week has been recorded as a major mishap. It may be that it is the public sector and not the private sector which is predominantly to be blamed. But I still hold there is no substantial difference in responsibility so far as our visitors from abroad are concerned. From whatever sector we come, we should not make light of the inconvenience that has been caused; it is good a prompt enquiry has been ordered.

We are all particularly unhappy that the victims in this case were exhibitors from a "Curtain" country. The participation of the curtain countries has been full and enthusiastic; it is fair to say that the stall which would win most votes in a poll of popular opinion in Delhi is the Chinese pavilion. Amongst its other virtues should be mentioned the fact that this was the earliest pavilion to be completed. Indeed, I have it on good authority that it was finished ten days before the formal opening. Punctuality is the politeness not only of kings but also of their modern equivalents—the heads of great Communist States.

I pay tribute to all the pavilions from the "curtain" countries. They have attracted wide interest because of the range and quality of their exhibits. Has there not, however, been some slight political curiosity attached to the general interest? I noticed in the course of my (frequent) visits to the USSR pavilion, some whispering on one point. There is an enormous statue of Lenin in the centre of the USSR pavilion, as there is one of Mao Tse-tung in the Chinese pavilion. The whisper that I heard was: Where is Stalin? I searched diligently for him in many arcades but found no response even in a single exhibit. Can it be that fashions in political display in totalitarian countries change as rapidly as feminine fashions in the Free World? The new look in the USSR seems to have very little Stalinism in it; in the Exhibition there is—none!

Having paid tribute as I should to our friends across the "curtains" let me give a brief but nonetheless cordial welcome to participants from the Free World. The United States pavilion is so large and absorbing that I must confess I have put off a detailed visit to a Sunday on which there must be no other rival occupation. I had the opportunity of noticing that the King of Nepal who was present one morning got completely involved in the latest scientific complexities—television and atomic lore. It is dangerous for a journalist to go too close to these latest fashions. I assert that there is nothing more distracting in the world than the latest scientific toy. Science can be a great destroyer not merely of good perspective but even of the freedom to think in broad humane terms. There are so few people in India who are prepared to admit this; will I turn at the stake for this heresy? Let me return to the fair!

NEW LAMPS FOR OLD

The Exhibition wears a jewel very near its forehead. This is an arresting pavilion and called "New Life". It has a face like a piece of brilliantly coloured mosaic; the colours are green and blue and yellow and red; at night they dazzle. I could not resist the frontage and I noticed many others were similarly attracted. More amazing still I discovered on entry that the statistics displayed inside—on our average expectation of life, the yield of cotton, the number of tractors per thousand persons and so on—were being copiously written down. Can it be that the appetite for statistics, like other appetites, is growing by what it has been fed upon—to wit, National Sample Surveys and Planning Commission Reports? That may be so, though that would not perhaps be the moral to be drawn by the organisers of this attractive pavilion. As I understood their skilfully displayed story, it was to the effect that it was free individuals that had made the most profound contributions to welfare; the great inventors —Arkwright and Watt and Edison and Ford—were not "public-sectorish" as so many of our industrialists now are. Again, if a society chooses to hand over all its powers to the State, does it not lose some of its effectiveness as an instrument of production? Do not men lose some of their quality as individuals? India needs production, but she needs free and enterprising individuals as well as civil servants. Is the climate suitable for the growth of such men in India? A difficult question; I call upon "The Eastern Economist" for an answer!

ARGUS.

In the Valley of Decision

THE PLANNER'S DILEMMA

IN New Delhi, planning is not, it appears, going according to plan. The Draft Plan is not likely to emerge until late in December, though tentative decisions have been reached on the State Plans. It is in the Central sector that answers are still being sought on important questions and there are far too many loose ends to be tied up before a tidy Plan can emerge. The original target of investment in the public sector of Rs. 4,300 crores under the second Five-Year Plan—which seemed to be the only fixed thing about the Plan in all its versions—has, at last, undergone a change. First the Finance Minister at his Press conference and then the Deputy Chairman of the Planning Commission in a broadcast this week, indicated that about Rs. 500 crores will be added to this figure. The main provocation for this change has been the size of the Railway Plan (which has surprised even the planners) and the painful realisation that however fiercely it is pruned, it would still remain big enough to be a headache. The planners cannot run away from the irreducible minimum of the demands on transport that will be made by the other schemes under the Plan. And then, there are the dear public sector projects which can neither be reduced nor transferred to the private sector without compromising on the new ideology.

The emergence of a bigger Plan, which grows as it goes along, may be a very desirable development if the projects are matched by comparable additional resources. The uncertainties are all here. The Finance Minister's Press Conference last week did not indicate any fresh ideas on the problem of finding resources. On the contrary, a few negative factors were in evidence. The Government will not rely on the revival of the salt excise duty as a means of imposing a part of the burden of development on the common man. There is, perhaps, much to be said in favour of the Finance Minister's view that cloth excise may be regarded as a superior alternative to secure the same result. What was surprising was the conclusiveness of Mr. Deshmukh's opinion that the salt tax was a "salted issue". A second negative factor is the probable loss of revenue through the enforcement of prohibition from 1958. There may be no reason to assume that the report of the Prohibition Enquiry Committee will be implemented in its entirety, but if the Centre accepts the responsibility to make good the resulting loss in revenue to the States—estimated at Rs. 125 crores—there is no reason why more States should not go in for a large dose of the moral fervour which now pervades Bombay. When the planners admitted the existence of a gap of Rs. 800 crores in the old Rs. 4300-crore Plan, it was after they had provided for a "stretching" of about Rs. 200 crores. Thirdly, there is the Finance Minister's recent pronouncement to the effect that substantial additional taxation is unlikely in the next two years—crucial years no doubt because of the elections—which would make assumptions regarding heroic efforts being made to mobilise resources somewhat unreal just now. So, far from stretching resources, the immediate evidence is one of possible contraction.

That is the planners' dilemma at the present time. There is no inclination to reduce the size of the Plan in the public sector, or to alter the main proportions of the allocations among the various projects. One way of squaring the totals in the balance-sheet of resources and expenditure would be to say that the Plan be carried out Russian fashion—implemented on a year-to-year basis of the capacity to execute and to find the money—so that in the event of a shortfall, it can be stretched to six years. The Finance Minister admitted this to be one of the possibilities which would have to be considered before the Plan is finally formulated.

Perhaps a less desirable alternative would be to assume that plan as best as we may, there will be some shortfall in implementation which would make it unnecessary to feel unduly worried by resources not matching in more than a formal accounting sense. The first Five-Year Plan with its achievement of 87.5 per cent of outlay (or Rs. 2,000 crores) as claimed by Mr. Deshmukh cannot be termed a failure for that reason. Even this 87.5 per cent may be exaggerated because if deficit financing had been only Rs. 200 crores up till now, the expenditure in the first four years could not have exceeded Rs. 1300 crores and some reduction in the final year's budget estimate of Rs. 650 crores is also likely.

A bloated Plan which thus provides room for non-fulfilment would be open to some criticism. It may be regarded as a vote-catching manifesto for the next elections to which the Planning Commission is asked to lend its prestige. Already the Commission is suspected to be undertaking a quasi-political role by taking initiative in pursuing party fads like prohibition and, to a lesser extent, the highly doubtful nostrums for large-scale employment contained in the Karve Report. The Karve Report may help to cover the fact that the second Five-Year Plan with its emphasis on heavy industry and transport cannot in a real sense be a Plan for employment on the ambitious scale assumed hitherto. The authors of the report are halting in their assumptions and a Plan for small industries, is in the last resort, a question of organisation, not of allocations of lump sum grants. The Planning Commission should have set up an inquiry body for each district if it was quite serious about the programme.

A more constructive approach would, however, be to approve of a Plan in which a larger number of schemes is kept on hand than what could be squared with the resources, because it would ensure a minimum fulfilment even if obstacles delay or defer some of the schemes. That has been an acceptable technique in planning. Secondly, a Plan larger than the estimated resources in the public sector would compel a bolder attitude to deficit financing, thereby helping the implementation to gather momentum. It would, however, require a very realistic approach to the problem of expanding the production of consumer goods—especially when many of the industrial projects will not be maturing until after the end of the second Five-Year Plan. There has been a grudging recognition of the need to be sure about cloth—another 500 million yards from the mills will be permitted, though it ought to have been considerably more but for the politics of the handloom. If deficit financing is to become the residual means for fulfilling an ambitious Plan, then policy should concentrate on achieving the maximum increases in agricultural and industrial production within the Plan period outside the heavy industries and the major irrigation projects which will not be immediately productive. We have to wait for signs of interest in these directions.

LEO.

WORLDGRAM

AGRICULTURE

Crop Safety Through Antibiotics: Crop disease losses might be cut by one thousand million dollars a year in the United States alone if the right antibiotics were in the hands of growers who knew how to use them, U.S. agricultural scientists estimate. They believe that antibiotics and other means already in wide use in the U.S., if used world-wide, could save several times this annual loss in food and fibre. The U.S. plant pathologists say that many of the important plant diseases can be prevented with cultural practices, seed treatment and fungicidal sprays and dusts.

*

Additional Irrigation Through Dams in U.P.: More than 2.15 lakh additional acres of land will come under irrigation in U.P. when four new dams—Arjun, Chandraprabha, Naugarh and Sirsi—are completed before January 1956 at an estimated cost of about Rs. 4 crores. They will also ensure adequate water supply to thousands of acres, which are short-fed, through 100 miles of new irrigation channels. The multipurpose Chandraprabha dam will provide protection against floods to about 100 square miles of richly-cultivated land in the Gharai-Chandraprabha Valley and will provide better irrigation facilities to an additional 12,000 acres. The Naugarh dam will provide additional facilities to 80,000 acres in Ghazipur and Banaras districts. The Sirsi dam in Mirzapur district will have about four miles of afflux bunds. It is an important constituent of the Balan and Tons Canal project. The project, when executed, will irrigate more than 86,000 acres in Allahabad district.

*

Anand Dairy in Bombay State: The dairy at Anand, which was declared open by the Prime Minister on 31 October, 1955, is constructed at a cost of Rs. 40 lakhs by the Kheda District Milk Producers' Union, Ltd., Anand. It will utilise the large surplus of milk available from Anand Taluka during the flush season, i.e., from September to March, besides meeting the requirements of the Bombay Milk Scheme. The dairy is planned to pasteurise 400,000 lbs. of milk and produce butter and ghee worth Rs. 1 lakh, milk powder worth Rs. 12,500 and casein worth Rs. 1,200 per day. Arrangements are also being made to manufacture condensed milk, sterilised cream, baby foods, edible casein and lactose. Most of the products will be manufactured for the first time in India.

INDUSTRY

Expansion of Aluminium Smelting Facilities in Quebec: An immediate expansion of primary smelting facilities, to be constructed in Quebec by the Aluminium Co. of Canada, Ltd., to provide an additional capacity of 22,000 tons per annum was announced recently by Aluminium Limited. The additional capital investment is estimated at $15 million and in view of the large expansion programmes already proceeding at Kitimat, B.C., and in Jamaica, some new financing will be required. It is expected that Aluminium Company of Canada, Ltd's. outstanding 5¼ per cent second preferred shares will be redeemed and that a larger preferred share issue will be offered in Canada later this year. The Company's present smelter capacity in Quebec is about 547,000 tons of aluminium per annum, to be increased to 569,000 tons under the new programme.

New Accelerator for Industrial Research: A three-million-volt particle accelerator—the most powerful radiation source available to industry—has been purchased for the Emeryville, Calif., research laboratory of Shell Development Company, U.S.A. The unit, a Van de Graaff accelerator—sometimes called an "Atom Smasher" because it was originally used for nuclear research—will be the first of its size in the petroleum industry and the second to be placed into operation by Shell. It is being built by High Voltage Engineering Corporation, Cambridge, Mass., and will be installed in June, 1956. Scientists will use the accelerator in studying the effects of radiation on fuels, lubricants, plastics and other oil-derived products. The machine produces a radiation of extreme intensity, one several hundred times that of the most powerful radioactive cobalt sources now used in industry.

*

Foreign Participation in New Indian Plants: The Carborundum Co. of the U.S. will produce grinding wheels, sandpaper and abrasives in Madras in a joint venture with an Indian and a British firm. A German company, Carl Still, will build a $9.5 million coking plant at Durgapur in West Bengal. Capacity will be 1,300 tons daily. A Japanese firm has bought 49 per cent of shares in the Government-run Sodepur Glass Works. Germans will build India's first television station in Bombay in 1957 for $5 million. A U.S. engineering firm has completed studies concerning South Indian steel output and has recommended a $4.9 million expansion programme for the Mysore Iron and Steel Works.

*

Standard for Oil Resisting Hose: The Indian Standards Institution has published an Indian standard specification for oil resisting hose. This standard prescribes the requirements for thickness of lining and cover, number of plies, length, hydraulic test, adhesion, tensile strength and elongation of rubber lining and cover, accelerated ageing test, oil absorption test, etc. It is hoped that hoses conforming to this standard will be suitable for the conveyance of general lubricating oils, transformer oils and vegetable oils.

TRADE

Rice Exports From India: Exports of rice from India in the first half of 1955 amounted to 53,300 tons; no shipments were made in the comparable period of 1954. Of the total this year, 1,600 tons were consigned to Mauritius; 6,400 tons to Saudi Arabia; 4,600 tons to Ceylon and Aden; and 3,900 tons to the United Kingdom, while much of the remainder was for the smaller African and Middle Eastern markets.

*

Increase in World Rice Exports: World rice exports during the first seven months of this year are estimated to have reached 2,600,000 tons, compared with some 2,400,000 tons in the corresponding period of 1954. This increase, says the monthly rice bulletin issued by the Commonwealth Economic Committee in London, is mainly attributable to the recovery in shipments from Thailand and the re-emergence of India and Egypt as significant sources of supply.

*

Licensing of Cotton Dealers: The Government of India has decided to continue in 1955-56 the licensing

of cotton dealers and persons who hold cotton in hypothecation or against pledge and has accordingly issued a revised cotton control order. According to the revised order, there are three classes of licences, namely, (i) 'A' class licence which will be valid throughout the territories of India; (ii) 'B' class licence which will be valid in the State concerned; and (iii) 'C' class licence which is exclusively meant for dealers in hand-ginned cotton and which will be valid in the State concerned. A new application form has been prescribed for the use of those who want to apply for a licence of either class.

*

Indian Products Will Benefit From U.S. Tariff Negotiations: The U.S. has announced the list of nearly 1,000 items on which it will be prepared to negotiate tariff cuts during the Geneva trade conference opening January 18, 1956. Many of India's principal exports are included. Reductions will be the result of hard bargaining and not all items will be affected. But several Indian goods are among the items that have the best chance of lowered duties. U.S. negotiators will be restricted by law to total concessions of not more than 15 per cent spread equally over the next three years. This means there will be no drastic slashes. But the range of products affected is unusually broad.

*

Indo-British Trade During January-August 1955: India had a favourable balance of trade with the U.K. during the first eight months of 1955 of the order of about £23 million (about Rs. 31 crores). India's exports during January-August 1955 to the U.K. amounted to £105,567,000 and imports to £82,740,000. During the corresponding period of 1954, the respective figures were £85,082,000 and £80,321,000 while for the whole of 1954 exports amounted to £148,595,000 and imports to £114,907,000.

*

Exports of Egyptian Cotton: During the period 1st September, 1955 to 6th October, 1955, exports of cotton from Egypt aggregated 31,202 bales (of 720 lbs. each), as compared with 43,940 bales in the corresponding period of 1954. China absorbed 2,418 bales as against 3,300 bales, France 2,347 bales as against 4,104, bales and India 1,145 bales as against 6,213 bales.

FINANCE

India's Contribution to U.N. Budget: India's contribution has been progressively reduced to 3.25 per cent of the United Nations budget thus bringing her to the position of the seventh largest contributor. Canada has displaced India as the sixth largest contributor, the first six being the United States of America, the Soviet Union, the United Kingdom, China, France and Canada. The total U.N. budget last year was about 46 million dollars with India's contribution to it amounting approximately to Rs. 70 lakhs. Contributions to the U.N. budget are governed by three principles, one of which lays down that no country should contribute more than a third of the U.N. budget. Contribution is based on the capacity of each nation to pay which in turn is based on national income making due allowances for national calamities. In view of the reduction India may save approximately a lakh of rupees annually on contribution to the U.N. budget.

*

World Bank Loan for Japanese Steel Plant: The World Bank has recently made a loan of $5.3 million to assist in financing the modernization of steel rolling facilities of the Yawata Iron and Steel Co., Ltd., of Japan. The loan was made to the Japan Development Bank, a Japanese government agency established in 1951 to supply long-term credit for industrial development and to act as a medium for government guarantees of private foreign borrowing. The Japan Development Bank will relend the proceeds of the loan to the Yawata Company. The Manufacturers Trust Company of New York is participating in the loan, without the World Bank's guarantee, to the extent of $791,000. The loan will finance foreign exchange costs of importing equipment needed to install a modern steel plate mill which will replace three outmoded plate mills installed between 1905 and 1920 and still in operation. Total cost of the project will amount to the equivalent of about $15.6 million. The loan is guaranteed by the Government of Japan. It is for a term of 15 years and carries an interest rate of 4⅜ per cent. Amortization will begin on March 1, 1958. This loan brings the amount which the World Bank has lent in Japan to $45.5 million.

*

Gold and Dollar Reserves Position: The gold and dollar reserves fell by $48,000,000 during October 1955 and stood at $2,297 million on the last day of the month, the British Treasury announced on November 2. Defence aid received from the U.S.A. is estimated at $3,000,000; $80,000,000 was paid in gold or dollars to the European Payments Union in respect of September, and $2,000,000 was paid to creditors of the Union in bilateral settlements.

*

Argentine Currency Devalued: The Argentine peso has been devalued to a rate of 18 pesos to the dollar. This new rate represents a more than three-fold devaluation over the previous rate of 5 pesos per dollar. It also replaces the preferential rate of 7.5 pesos, and the official free market rate of 13.98 pesos. The 18-peso rate will operate for all import and export operations included within the official market. All other operations will be governed by a rate of exchange emanating from the free play of currency supply and demand.

MISCELLANEOUS

Special Rebate on Handloom Cloth During Diwali Season: With a view to increasing the sales of handloom cloth as also to enabling the consumers to get the handloom cloth as cheap as possible the All-India Handloom Board has decided to give special rebate to the consumers during the Diwali season, from November 1 to 15, 1955. During this fortnight, the maximum rebate permissible on genuine retail sales of handloom cloth will be 2½ annas per rupee instead of 2 annas per rupee in the case of retail sales effected by weavers' co-operative societies and state-owned depots. In case of retail sales effected by consumers' co-operative societies and approved fair price shops, the maximum rebate permissible on genuine retail sales will be 1½ annas per rupee instead of 1 anna per rupee as usual.

*

India's Earnings From Tourist Traffic: India earned Rs. 35,000,000 in terms of foreign exchange from tourist traffic last year. Of this, tourists from Britain and the sterling area countries account for Rs. 16,000,000 or 46 per cent and the United States and other dollar countries account for Rs. 10,000,000 or 31 per cent. The balance is accounted for by other countries of the soft currency area. Business men visiting India contributed 42 per cent of the total earnings, foreigners visiting India purely for pleasure reasons accounted for 40 per cent; and official and other types of visits constituted eight per cent of the total. The British contribution alone is Rs. 10,861,000 out of the sterling area's total of Rs. 16,345,000. Visitors from Russia accounted for a meagre sum of Rs. 639,000.

NEWS IN BRIEF

INDIAN

The Madras Government has plans to double the power generation in the State and to make headway in the programme of rural electrification, according to the State Finance Minister.

*

The Planning Commission has appointed a study group under the chairmanship of Mr. V. K. R. Menon, Director, Indian Branch of International Labour Office, to suggest measures necessary for the absorption of educated unemployed into the economy of the country.

*

The Government of India proposes to set up three factories for the production of fertilisers in Nangal, Bombay and Vijayawada, in order to increase the production of fertilisers in this country.

*

The Andhra Government has constituted a ten-member State Industrial Finance Corporation and nominated Mr. Bikkini Venkataratnam, President of the Andhra State Bank, as its Chairman. Mr. T. Sundara Raghavan has been appointed Managing Director.

*

A sum of Rs. 35 lakhs has been provided in the second Five-Year Plan for schemes relating to welfare of women, it was disclosed recently by Miss Jamuna Bai, Women's Welfare Officer, Andhra. She said it was proposed to establish three service homes in the Andhra State.

*

The International Co-operation Administration in Washington has opened a $800,000 credit for India for buying industrial research and road construction materials besides others.

*

The installation of mechanical filters, the foundation for which will be laid by the President of India, Dr. Rajendra Prasad, on November 14, 1955, will increase the water supply to Madras's 16,000,000 citizens from 24,000,000 gallons to 34,000,000 gallons per day.

*

The production of stable steel by the Tata Iron and Steel Co., Ltd., during October 1955 suffered a set-back of 900 tons to 64,800 tons. The output of services has fallen from 19,900 tons to 17,000 tons but that of finished steel has gone up from 45,800 tons to 47,800 tons. Pig-iron production has fallen from 95,300 tons to 91,700 tons and steel ingots from 87,500 tons to 83,800 tons.

*

Advances of the State Bank of India have risen from Rs. 91.68 crores to Rs. 93.47 crores for the week ended October 28, 1955. Cash in hand and with the Reserve Bank has moved up from Rs. 16.59 crores to Rs. 19.75 crores and deposits from Rs. 216.53 crores to Rs. 218.66 crores.

*

The Government of India has granted 46 applications from joint stock companies in the country for issue of capital amounting to Rs. 31.64 crores during the quarter ended June 1955. Twenty-nine of these applications were from industrial companies seven from companies dealing with agriculture and allied activities and the remaining ten from non-industrial companies. Out of 46 applications, 20 were from new companies for a total issue amounting to Rs. 9,64,78,750.

*

Yugoslavia is interested in imports from India of jute projects, mica, iron ore and shellac, it was announced recently by Dr. Karlo Benet, representative of the Foreign Trade of Yugoslavia in an interview in New Delhi.

FOREIGN

The International Labour Organisation is having a two-week conference of statistical and occupational experts to classify all occupations in the world.

*

The Pakistan Government has raised the export duty on tea from three annas to six annas per lb. with effect from October 21, 1955.

*

The Royal Government of Laos has decreed that the term "kip" would henceforth be used (as from May 5, 1955) as the official designation of the Laotian currency unit in place of "piastre". The kip (abbreviated "K") has the same value as the piastre (1 piastre=10 French francs).

*

A group of leading British industrialists is setting up a £1,500,000 trust to encourage schoolchildren to pursue a scientific career and to enable them to have the finest facilities available.

*

The United Kingdom and Canada on October 25, 1955, signed in Washington the Articles of Agreement of the International Finance Corporation, the proposed new affiliate of the World Bank. Twenty governments have now signed the Articles of Agreement.

*

The West German potash industry and the sales organization of the West German potash mines have jointly set up a new company with a capital of DM 500,000 to deal with the establishment of domestic and foreign firms and organisations engaged in production and domestic sales and exports of potash, other fertilisers and their by-products.

*

Grain experts from over 60 nations on Ocober 27, 1955, went into session in Geneva to discuss international measures designed to meet the current world problem of surplus wheat production.

*

The Italian Senate has passed a Government-sponsored Bill to encourage foreign investment in Italian industry.

*

Two new heaters for domestic and office use have come into the market. One is a new blue flame paraffin radiator for use in the home and another an electric heater which can also be used as a ventilation fan both at home and in office.

*

In August 1955, Dutch exports to the U.K. rose sharply to Fls. 104 million (about £9.8 million) against Fls. 34 million in August 1954.

*

The world's mines yielded 15,500 tons of tin concentrates in August, a drop of 500 tons on the July total. The fall occurred despite the fact that both Malaya and Indonesia produced the highest amounts (5,305 tons and 3,586 tons, respectively) for any month since the war.

*

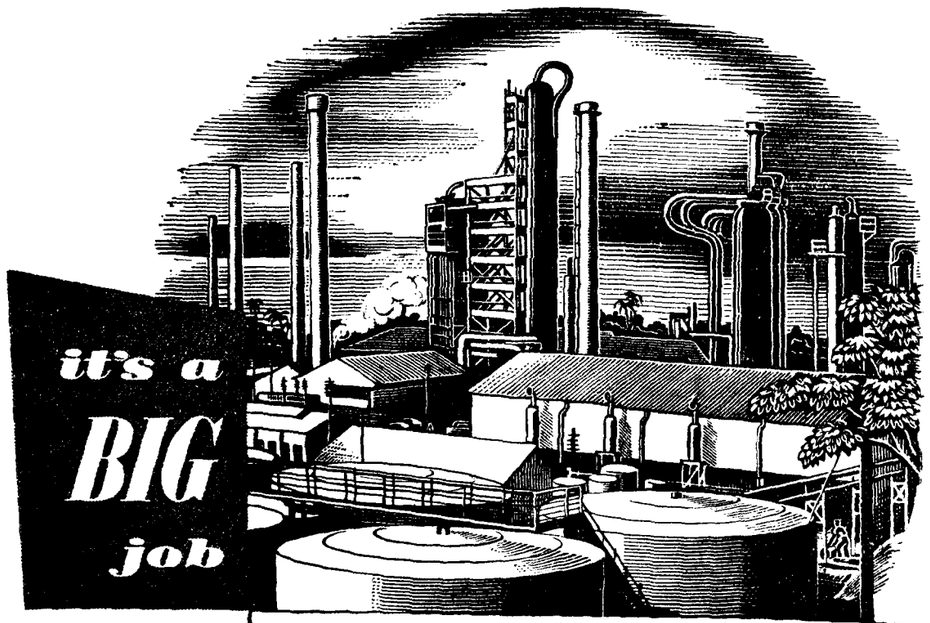
The British shipyards during the third quarter of this year received orders for 109 ships totalling 846,000 tons gross. This is 326,000 tons more than was placed in the preceding six months.

*

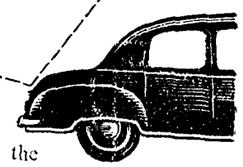
British manufacturers are now turning out £2,000,000 worth of model planes each year, with production running at twice its 1949 rate.

*

The Ceylon Tea Propaganda Board has asked the Government to increase the cess on tea exports by 50 cents per 100 lbs. from January 1956. The current cess is Rs. 1.70 per 100 lbs.



turning oil into petrol



The crude oil that comes out of the well is no use to anybody until it is refined. Then it has a thousand uses. All over India, all through the year, people are using the hundred-and-one different products that come from the Assam Oil Company's " oil town " at Digboi, the site of India's first and most highly developed oil refinery — and the only refinery which processes crude oil produced at India's only oilfield.

You probably think first of petrol when oil products are mentioned. But don't forget that the food you eat was obtained with the help of oil — in the shape of tractor fuel and lubricants. Even the carpet in your house was made with the assistance of oil — the oil that keeps the mills running smoothly.

Oil is vital in the modern world. Though small by world standards, the Assam Oil Company's refinery at Digboi every day produces over 250,000 gallons of high quality products to help to meet India's ever-increasing needs. The Assam Oil Company is looking to the future, too. The company's extensive technical and financial resources are being used to the full to find new sources of oil and to bring into operation new methods of production and refining. If this is successful, the flow of Indian oil to Indian industry, transport and agriculture will increase year by year. The Assam Oil Company will make sure of that.

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PROSPECTING · DRILLING · PRODUCING · REFINING

Special Article

THE NATIONAL SMALL INDUSTRIES CORPORATION

(Mr. Jang Bir Singh)

Chairman, The Small Industries Corporation

FIRM foundations for the planned development of small-scale industries in India were laid with the establishment, by the Central Government, of the Small Scale Industries Board, the Office of the Development Commissioner (Small Scale Industries) and four Regional Small Industries Service Institutes last year and the National Small Industries Corporation early this year. Efforts of these bodies are bound to open up fresh opportunities for gainful employment to many and revive the languishing small-scale sector of India's industry. A Resolution issued on June 7, 1954, explained that Government object was to assist small industries in organising production for meeting Government orders and to frame and implement programmes for the proper development of such industries in this country.

The importance and place of small industries in the economy of the country was recognised by the Planning Commission even in its first Five-Year Plan. Potential employment in various small industries was given "a weighty consideration". The need for hastening technical improvement and changing the modes of production and organisation was also realised. Promotion of the development of small-scale industries was felt essential not only from the employment point of view, but also because their planning would considerably help the growth of corresponding large-scale industries. Starting of new small industries and the revival of industries that have gone out of production owing to lack of finance or inadequate markets were also kept in view in planning the general development of the country. In its first report, the Planning Commission laid stress on all these points and particularly, on the need to modernise the tools, the technical skill and organisation of small industries and to improve the availability of adequate finance and marketing facilities.

Any survey of the small industries in this country would show clearly both their potentiality and the handicaps, they are suffering from. Although complete statistics on this field of the industry are lacking, a survey made recently by the Labour Bureau of the Government of India reveals that in 1953, in the area comprised by all Part A States, Delhi, Ajmer, Coorg and Andaman and Nicobar Islands, there were 18,926 factories which may be included among small-scale industries. Their total was 77.3 per cent of all the factories that came under the Indian Factories Act. If a comprehensive survey is made of all small units of the entire country, it would undoubtedly reveal much higher figures in terms of units and persons employed. Observers like the Experts lent by the Ford Foundation have found the small industries in the country "vigorous" but "frustrated". The Indian craftsman has vitality, skill and imagination, but he lacks knowledge of modern methods and technical information. Inadequate finance and lack of marketing facilities for the products have not only stood in the way of starting new production, but have even killed some of the small industries started during the war.

SUPPLY OF GOVERNMENT ORDERS

It is with a view to giving its close attention to those problems so as to step up the capacity and performance of small industries in co-operation with the State Governments that the Central Ministry of Commerce and Industry has set up the new organisations mentioned above. At the apex of those is the Small Scale Industries Board, a co-ordinating and advisory body. The Office of the Development Commissioner and the four Regional Small Industries Service Institutes are to be the thinking cells and service agencies for this sector of industry. The National Small Industries Corporation which was established in February this year on the basis of a scheme prepared by two Experts of the Ford Foundation Team, is to be the agency to implement certain well-thought out policies to get goods produced by small industries for consumption by Government, large-scale industries and the public. It has been registered as a Private Limited Company with a capital of Rs. 10 lakhs entirely subscribed by the Central Government.

One of the main objects of the Corporation is to help small industries to get orders for supplying Government stores. For this purpose, the Corporation itself may accept primary contracts for Government supply orders and issue sub-contracts to selected small units. Or it may assist selected units to get direct contracts from Government. If any small unit with capacity to fulfill Government orders is found to be handicapped, financially or otherwise, the Corporation would take the responsibility of assisting it with loans and technical guidance for fulfilling such definite Government orders. The Corporation, without actually entering into contract, is empowered to assist small units in this direction and to underwrite or guarantee loans to such units from banks and other institutions.

Another equally important object of the Corporation is to secure co-ordination between the large-scale and small-scale industries in the production of various ancillaries and components. Other objects of the Corporation include the provision of assistance to small units in hire-purchase of machinery and equipment, in the procurement of raw material, and in marketing the finished products. The Corporation is managed by a Board of Directors which consists at present of the Development Commissioner (Chairman) and four other officials. The Corporation has three main divisions, namely, a Contract Division, a Hire-Purchase and Raw Material Division and a Marketing Division. The entire administration expenses of the Corporation for the first year will be met from Central Government funds.

Assistance to small units in procuring Government contracts for supplying stores has been taken up by the Corporation as one of its major tasks. Every year the Government buys about Rs. 2 crores worth of products which could be manufactured by the small industries units. The technical and financial help given to units producing stores brought by the Government is bound to result in improvement of the product and also of the technical skill and organisation of the small units. It would also help in reviving such of the small industries as are now struggling for an existence. Attempts are being made to locate new capacities among small units and to persuade Government organisations and large-scale establishments to give preference to indigenous products manufactured by small units struggling against competition from imported products. It

will be possible soon to define and compile lists of articles required by the State to be bought solely from the small scale sector of the Indian industry.

In the light of the requirements of the Central and State Governments, surveys are being conducted both by the State Directors of Industries and by the Directors of the four Regional Small Industries Service Institutes set up by the Government of India. The Corporation helps such of the units in the small scale industries sector as are both competent and trustworthy to get either direct contracts from the Government or sub-contracts from the prime contracts entered into by the Corporation itself. Assistance is also rendered by the Corporation in securing orders from large-scale industries for ancillaries and components to be manufactured by small units. The first big contract which the Corporation is likely to secure for helping the production in small units will be for the supply of about 18,000 Ankle Boots required for Defence purposes by Government.

Although the Corporation does not itself advance loans to small units except in certain special cases where fulfilment of Government orders already contracted is handicapped due to lack of finance, it will help small units in securing State aid from the Local Directors of Industries or loans from Commercial or Co-operative Banks, industrial Finance Corporation and other institutions.

MACHINERY AND RAW MATERIALS

An important form of help given by the Corporation is to arrange for the hire-purchase of machinery and equipment which would go to improve production. Bona fide requests from small-scale units for such help will be screened by the Directors of the Regional Small Industries Service Institutes in consultation with the local State Directors of Industries and forwarded to the Corporation. The Corporation will place orders with the machinery manufacturers on receipt of an advance from the intending buyer. The value of the advance would be fixed at 20 per cent of the price of the machine if it is a general purpose one and 40 per cent if it is a special purpose machine. Before the machine is delivered the buyer will have to enter into an agreement with the Corporation for payment of the balance of the value of the machine in certain specified instalments. This scheme, it is hoped, will be taken advantage of by such of the small-scale units which do not have sufficient financial resources for outright purchase of costly machines or equipment.

The Corporation will help small units in the purchase of raw materials also. One step in this direction, is to obtain a supplementary quota of iron and steel for provision to small units which manufacture sewing machines, cycle parts, etc. This additional quota will be stocked by the Directors of the Regional Service Institutes, and distributed to such of the small units as are genuinely hampered in their production by the general shortage of iron and steel. Encouragement of co-operatives of groups of artisans, entrepreneurs and units is an important feature of the organisational guidance given by the Corporation.

INDUSTRIES ESTIMATES

Besides providing whatever technical and organisational guidance needed by small units to manufacture better products, and reach extended markets, the Corporation is also launching a scheme to establish industrial estates on the model of what has been tried in the U.K. and elsewhere. An industrial estate is shortly to be built in the State of Delhi on a 200 acre site. The estate will provide suitable factory building for small units on rent. Arrangements will be made for supply of power, water, sanitation and community services inside the estate on reasonable terms. The Delhi Industrial Estate when established, will be the first of its kind in India and will serve as a model for other States to establish similar estates in various places in the country. The scheme for industrial estates is expected to solve the problem of proper location of small industries producing consumer and ancillary goods in proximity to their main markets. It will avoid the growth of slums in industrial cities and assist the development of diversified small or light industries which cannot invest large sums of money in acquiring sites and buildings for factories or workshops and are particularly less resilient to periods of economic depression.

To secure wider markets for the products of small industries, the Corporation intends to set up chain-stores at various centres in the country. It will also run a fleet of mobile sales vans to bring articles manufactured by small units, almost to the door-steps of the consumer. One such van is already in use in the Delhi State.

LIAISON WITH LARGE-SCALE INDUSTRY

To develop proper co-ordination between the large-scale and small-scale sectors of the national industry, the Corporation has decided to set up three agencies in Madras, Bombay and Calcutta. The Director of the Regional Small Industries Service Institute will be the head of each agency, with the local State Director of Industries and an Officer of the Development Wing of the Ministry of Commerce and Industry, Government of India, as its members. These agencies will select special industries where there is scope of supply of ancillaries to large-scale units and persuade large-scale units to place orders on the selected small units. The Corporation will render help to the small units and, if necessary, will even take the prime contracts and give sub-contracts to small units.

EXHIBITION

With a view to acquainting the public with the capacity and variety of small-scale industries production, the Corporation is taking part in the Indian Industries' Fair in Delhi. One of the biggest and most imposing stalls in the Fair houses the products, tools, implements, machines and even actual workshops relating to small-scale industry.

EMPLOYMENT

The National Small Industries Corporation, which is only eight months old now, is thus providing itself to be an active agency to help the small industry in a number of ways. The commulative effect of the activities of the Corporation and the other allied organisations of the Central and State Governments is bound to help the small industry to stand on its own feet. The most important national consideration for developing and aiding this long-neglected sector of our industry is the immense potential it has for providing employment not only to our traditionally skilled artisans and craftsmen but also to millions of the educated unemployed, particularly the unemployed matriculates, whose numbers are increasing year by year on the rolls of the Employment Exchanges. A scheme drafted by the Development Commissioner and sent to the Planning Commission recently, shows that if a sum of about Rs. 125 crores is invested in setting up selected small industries in units and groups to manufacture both consumer goods and ancillaries and in developing them, goods worth about Rs. 100 crores could be produced per annum and 3,50,000 new jobs could be provided for the unemployed matriculates. The scheme envisages the training of such unemployed persons for a short period in both technical and managerial work. A vital role has been assigned in the scheme to the Corporation and to the Regional Small Industries Service Institutes, of which there are likely to be more in the next Plan period.

CHIMIMPORT

State Enterprise for Foreign Trade,

Bucuresti

RUMANIAN PEOPLE'S REPUBLIC

EXPORTS: organic and inorganic chemicals, acids, alcohols, sodium products, acetates, sulphates, electrode paste, CARBON BLACK, calcium salts, aldehydes and ketones, glues, oxides, abrasives, silicon carbide; pharmaceutical products and substances, opotherapeutical and harmone products; serum and vaccines; cosmetic and perfumery products; etheric oils; bleaching earths; dyestuffs; varnish and paint; wax; insecticides; fungicides.

IMPORTS: chemicals (organic and inorganic); rubber and plastic materials, shellac, catalyzers, organic solvents, pharmaceutical substances and specialities, reagents and etheric oils, pigments and dyestuffs, cosmetics.

For further information :

The Trade Representation of the R.P.R. in India,

Lotus Court, Jamshedji Tata Road,

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VISIT

The Rumanian Pavilion in the
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October 29—December 15, 1955

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

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

It has been issued in the following four editions:

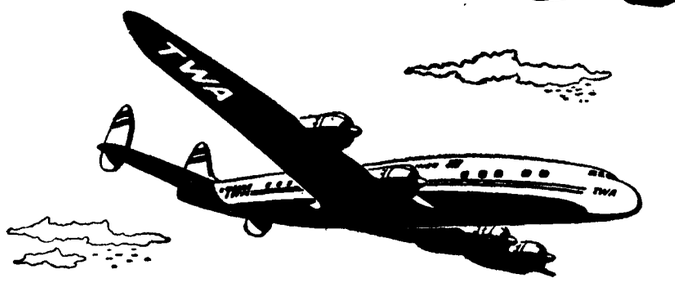
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PROSPECTING ...

Economic Report from the U. S.

ATOM AND THE SUN

(By Guy Sims Fitch)

NEW YORK, Nov. 1.—Two new sources of energy—the Atom and the Sun—are attracting increasing attention all over the world. For they present the promise of virtually unlimited industrial power in the years to come. Scientists and business men in the U.S. are still discussing, for instance, the Fourth Annual Atomic Energy Conference held here last week by the National Industrial Conference Board, a leading business research group. The meeting was noteworthy for a number of important developments. One of the most significant was the general agreement among scientists from many countries that industrial atomic power is fast approaching the point of being competitive with power generated from such conventional fuels as coal and oil in the United States, a relatively low-cost producer, this means power at a cost of about seven mills per kilowatt-hour.

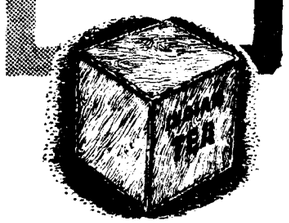
Even the most optimistic, however, see scant savings in power costs through the use of the atom in the decade immediately ahead. But by the mid-1960's, after the first round of reactor construction has been evaluated, costs even in the U.S. may well be lower than those of power from coal stations. It is only natural, therefore, that the experts are eagerly awaiting actual operating results of those atomic power stations already planned or under construction. From these results engineers will obtain information that will help them design and build the more efficient reactors—nuclear power furnaces—of the future.

The conference also spotlighted many of the problems that the less developed lands must face up to if they are to count on any widespread application of atomic power. There was general acceptance of the view that these countries must lay the foundation of know-how and technical training, and must build up their industrial demand, before atomic power can become more to them than an expensive luxury. In this connection, President Eisenhower's message to the conference pledging continued U.S. co-operation with other nations in "harnessing the atom for man's benefit" takes on added significance. The U.S. already has negotiated with 28 other countries agreements for co-operation in the peace-time uses of atomic energy, and has made available 200 kilograms of uranium fuel for use by those countries in research reactors. "In addition, 75 scientists and technicians from 29 other countries came to the U.S. for training in various phases of peace-time atomic research."

Underscoring this international co-operation was the announcement to the conference that an atomic power plant will be built abroad with American assistance—the first such project to be undertaken. Chairman Lewis L. Strauss of the U.S. Atomic Energy Commission reported that the plant will be erected near Brussels, Belgium, and will be completed in time to provide electricity for the 1958 world exposition to be held in that city. Emphasizing the broad scope of the informational exchanges at the conference was the fact that a scientist from the Soviet Union was among those who addressed the gathering. The fact that he had little to add to what is already known about reactors design was secondary; more important was the fact that he was the first Soviet scientist to address an atomic conference on this side of the Atlantic Ocean.

As for power from the sun 700 scientists from 30 lands are in the U.S. for the first "world symposium" on solar energy, in progress now in the state of Arizona. Solar power is nowhere near as advanced as atomic power, of course, and the conversion of solar energy into usable forms—particularly for the generation of electricity—now costs more than either atomic or conventional power sources. But more than a few experts believe that within 20 years energy from the sun will be economically activating many appliances, including home heating and cooling systems. One indication of the progress being made is the fact that the Bell Telephone Company in the U.S. only two weeks ago used a new type of solar battery to power a rural telephone circuit. Some experts see solar power and atomic developing together and in time supplementing each other, with the former used largely in rural areas, the latter in urban areas where huge and complex installations are more practical. Making the prospect of power from the atom and the sun particularly inviting is their all but inexhaustible nature. The world has vast supplies of proved and potential fissionable fuels, and solar energy can be with us as long as the sun shines.

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A Letter to the Editor

ROAD TRANSPORT

Sir,

Your Road Transport Supplement of 30-9-55 is a well documented survey. On page five under "Cost of Taxation", it is said "Central Tax percentage 10.5 and State and Local Taxes' 9.1. This centage has obviously ignored import duty on motor vehicle spares and sales tax. These two together account for 31 per cent. That is, in Madras State not less than 50 per cent of the cost of operation of a motor vehicle is the tax (Central, State and Local) element.

To plead for reduction of State-Tax is to stress a 9.1 per cent burden, ignoring 31 per cent (!!) impost. It is not a question of "plundering" Centre, when we request a "revision"—please note not an elimination—of Central Tax.

Just work out a Central Tax on Petrol at twice the existing rate of Rs. 0 15 9 a gallon. All the money comes in. We have no correct figures of consumption of High Speed diesel oil by motor vehicles. If the tax on diesel oil is also raised for parity with petrol tax, Centre and the States will get at least 50 per cent more revenue.

Justice of such a fuel (Petrol and Diesel) tax is because:

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(5) Fuel Tax will perish the Inter State rivalry to tax motor vehicles—especially bus or lorry.
(6) Fuel Tax does not reduce the quantum of tax revenue from motor vehicles, as a whole in India.

This Fuel Tax, as it yields maximum revenue, should repeal (a) Central Excise on Petrol, (b) Central Excise on Tyres and Tubes, (c) Import Duty on motor vehicles and spares, (d) State Motor Vehicle Tax and Fees, (e) State Sales Tax and Fuel on Lubricants, (f) Octroi, and (g) States Sales Tax.

Because of (b) and (c) above, the price of motor vehicle is reduced by a minimum of 35 per cent. It is the high initial capital cost, that is retarding increased and increasing consumption. It is well-known that motor vehicles prices are now more than six times the 1939 level. For fostering local automobile industry a quantum restriction on imports (in value) should be enforced.

Unless initial cost of motor vehicle is reduced (without any juggling by cutting dealer discounts!), there is no hope or future for oil and automobile industry of our land. The very fact that we have not even two motor vehicles for a mile of even our existing road mileage is a constant reminder of the acuteness of the malady. Let us plead for one tax on Fuel—a rational tax but not any reduction in tax quantum.

Yours faithfully,
S. N. RAMASWAMI

MADRAS.
November 4, 1955.

[The calculation in our Blue Supplement on Road Transport did **not** omit import duties or sales taxes. While these form a substantial percentage of the purchase price of vehicles and spare parts, these amounts have to be proportionately distributed in calculating taxation as a percentage of operation costs during a specified period. On such a working, the proportion of Central and State taxation of all kinds was estimated to be 10.5 and 9.1 respectively—Ed.]

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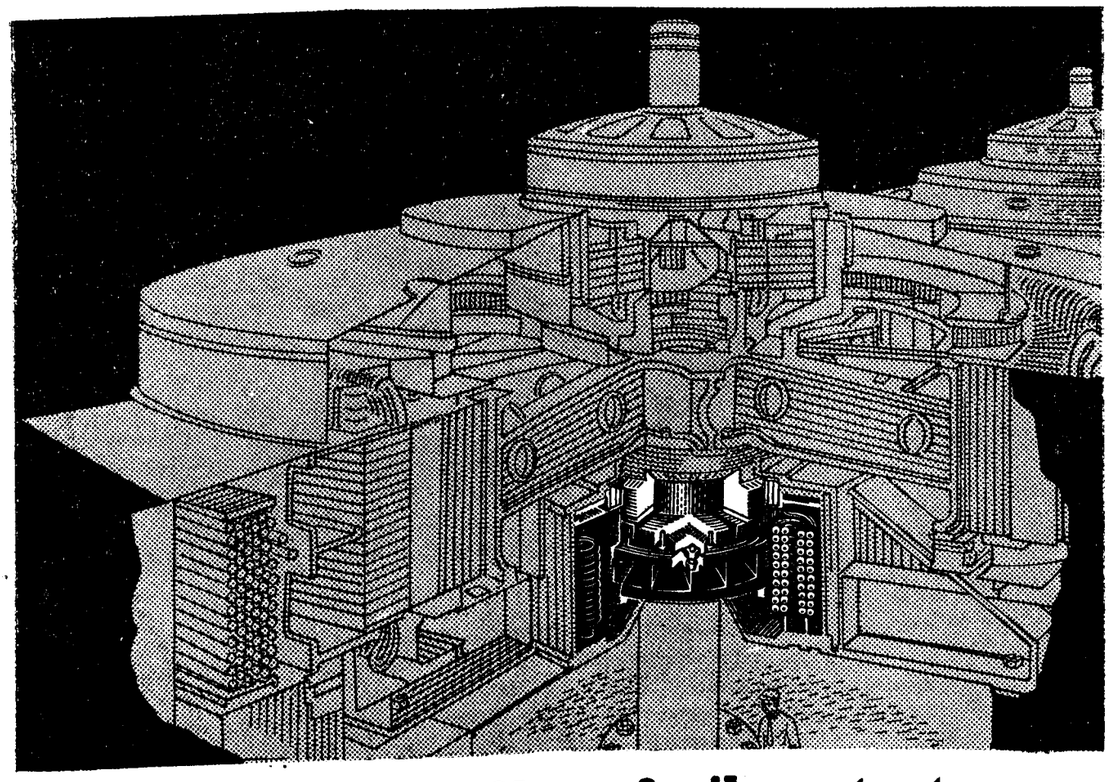
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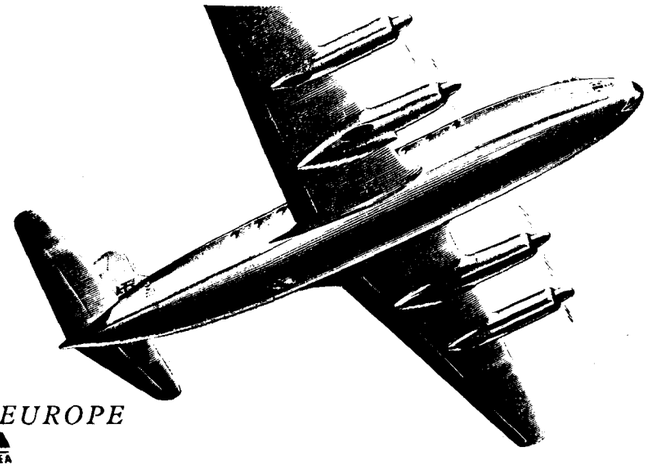
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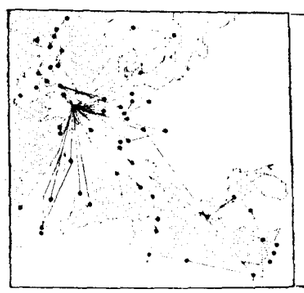
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The Business World

INSURERS AND INTEREST RATES

By
CROESUS

THE twenty-seventh triennial valuation report of the Oriental Government Security Life Assurance Co., Ltd., was presented to an extraordinary general meeting of the shareholders and policyholders of the Company on November 2, 1955 and, as expected, the meeting approved of all the eight items of business on the agenda notified to be transacted at the meeting. It must be noted here that all these items, save two, are items usually found on the agenda of such meetings; the two additional ones in this case were items 5 and 6, namely, "to receive and adopt the recommendation of the Directors as to the amounts to be transferred from the Contingencies Reserve Fund to the Shareholders' Account"; and, arising from it, "to receive and adopt the recommendation of the Directors as to the provision to be made for tax on the amount transferred to the Shareholders' Account". This was necessitated, because it is for the first time in the history of the Company that such a provision has been made, as I had pointed out in my piece on "Oriental's" Valuation Record the appeared in the October 7, 1955, issue of "The Eastern Economist". (Incidentally, "The Eastern Economist" was perhaps the only paper to mention this point). For the benefit of the readers of this column, therefore, I feel bound to reproduce below the comments on this provision of Mr. Dinshaw D. Romer, who presided over the meeting. Said Mr. Romer:

"I should like at this stage to make some comments on the provision, made for the first time in the history of the Company, of Rs. 3,57,600 to be carried to the Shareholders' Account and also the other amount of Rs. 1,84,732 representing tax thereon. The setting up of these amounts had your Board's most earnest and careful consideration and they came to the conclusion that, in fairness to the Shareholders, these amounts should be earmarked for their benefit. It was not their desire to increase the net dividend payable to Shareholders beyond Rs. 200 from Rs. 175 paid on each share on the last occasion. At the same time, the idea of fairness to Shareholders mentioned above induced them to earmark a more or less even percentage of the total Surplus emerging at the Valuation for the benefit of Shareholders. In this connection, the following table giving the percentage of the total Surplus taken to Shareholders' account during the last few trienniums will be of interest.

Triennium ended with	Percentage of Surplus distributed to shareholders
1948	4.8
1951	5.1
1954	4.6

"It will be observed from a scrutiny of the figures in the above table that the total amount allocated to the Shareholders at the Triennium under consideration, including the sum abovementioned of Rs. 3,57,600 and tax thereon, represent only 4.6 per cent of the total surplus distributed to shareholders and policyholders, and this, you will find, is the lowest figure of all the three trienniums shown in the above table. In the light of these figures which speak more forcibly than words, it is hardly necessary to justify the amount carried to the shareholders' account and the provision made for tax thereon."

I don't think it necessary to refer to the other points in Mr. Romer's speech bearing on the Actuary's Report, because these have already been dealt with exhaustively in the piece I have alluded to earlier. But I feel I must refer here to the "retrospective glance at the course of the rate of interest earned on the invested funds" of the "Oriental" over the past three decades cast by Mr. Romer in the course of his speech. Although concerning the "Oriental" primarily, such enables one to take stock of the fascinating trend of interest rates and their effects'.

Since the First World War, as can be made out from Mr. Romer's address, there have been five landmarks in the history of interest rates in this country, as perhaps in other countries as well. The first one may be said to begin with the First World War, when the rates of interest were very high. But the highest points were reached during the immediate post-war years, when the rate of interest on Government securities reached as much as 7 per cent. This may be said to constitute the second landmark. The third point of significance began in 1934, when interest rates started declining. But it was not until 1939, that is until the Second World War began, that the nadir of interest rates was touched. This may, therefore, be regarded as the fourth landmark in the history of interest rates. The last landmark was May, 1946, when the rate of interest on the 3½ per cent Government of India securities was reduced to 3 per cent. It is said that by this time the rate of interest had fallen to such a low level that the fall in market value which one normally expects when there is a reduction in the rate of interest was hardly noticeable.

It is thus seen that, over a period of less than three decades, rates of interest had reached their peak as well as touched their lowest point. In what way does this affect investors, especially insurers, who invest the bulk of their funds in Government securities?

The answer to this question was provided by Mr. Romer and, although the experience of "Oriental" shows the effects in a somewhat exaggerated form, because of its investment being more predominantly in Government securities than in the case of any other insurance companies by virtue of its Articles of Association, the general conclusions are applicable to all insurance companies. Thus, when the rate of interest is high, there is loss of capital, as depreciation in the value of the investment, consequent on the rise in the rate of interest, has to be written off. But then the higher interest rates are also helpful in valuing the liabilities at fairly high rates of interest, so that these liabilities are more or less scaled down to the fullest extent of the depreciation to be written off. Again, thanks to the higher rates of interest, new investments can be secured yielding higher rates of interest which, in the case of insurance companies, enable new business to be underwritten at attractive rates. Broadly speaking, high rates of interest engender a feeling of pessimism immediately when the rates go up, but the resultant beneficent effects are sure to follow; they always materialise in quite a pronounced way in subsequent years, as witness the experience of more than one insurance company.

What happens when interest rates are lower? When the rates of interest are low, life insurance companies experience periods of real difficulty, a fact which was very well brought out by Sir Purshotamdas

Thakurdas in the course of his address when he presided over the December, 1948, "Oriental" valuation meeting. This is what he stated then:

> "The real periods of embarrassment for institutions like the 'Oriental' occur when the pendulum swings to the other side, that is, when rates of interest are low and this in spite of the consequent appreciation in the values of the invested funds. For the appreciation will be practically neutralised by the increase in the value of the liabilities imposed by the necessity to make the valuation at a low rate of interest and, unlike the contrary case of periods of high yield, there is no compensating advantage, but only disadvantage, in that new investments can only be made at unremunerative rates of interest."

Other things remaining equal, the effects of high rates of interest may more or less be counter-acted by those of low rates of interest over a period of years, although this is not to question the thesis above that a period of low rates of interest is more embarrassing to insurance companies. But when other factors do intervene, such as, for instance, an increase in the rates of tax, especially immediately in the wake of a period of low rates of interest, the effect would be disastrous. This is clearly evidenced by the experience of even so sound and well-established an insurance company like the "Oriental," which had successively to step down its rates of bonus to policyholders from Rs. 25 and Rs. 20 at the 1933 valuation to Rs. 10 and Rs. 8 at the 1945 valuation for whole life and endowment policies, respectively. This process certainly could not go on indefinitely and actuaries have to be prepared to meet the situation when the cushion to make the business of life insurance sustain shocks under the head of interest provided by them happens to thin down. The insured, of course, would soon know to their cost what this means. Thus, all the important insurance companies in this country increased their rates of premium with effect from January 1, 1947. Be that as it may, this helped some companies, but it was not until the increase in the Bank rate from 3 to 3½ per cent was effected in 1951 and the amendment to the Income-tax Act which exempted tax on 30 per cent of the amount distributed to, or reserved for, policyholders was adopted that the insurance companies could really heave a sigh of relief. In the case of the "Oriental", there was also a fourth favourable factor, namely, the alteration in the Company's Articles of Association (effected in December, 1946) by which restrictions on investment of the funds of the Company outside those required to be invested in Government securities in terms of the Trust Deed were removed. This has enabled the Company to have a wide choice of investments, especially in high class mortgages, as at present.

From what has been stated so far, it should be clear that interest rates play a very important part indeed in the economy of a country and that, from the point of view of insurance companies, high interest rates are more welcome than low interest rates.

BOMBAY PORT'S DECLINE

By

CROESUS

Paradoxically, as it may seem, while the latest Administration Report of the Bombay Port Trust—that for the year 1954-55—pats itself on its back on having established a new record in the form of the weight of the cargo handled at the docks and bunders of the Port (7.53 million d.w. tons as against 6.73 d.w. tons in 1953-54), the business community here is worried that Bombay has slowly been losing ground to Calcutta. Figures of imports and exports for the first half-year of 1955 have been published by a local contemporary —**Vyapar**—to show that, of the total increase in respect of all custom zones of Rs. 40 crores, the Bombay zone's share has been only Rs. 6½ crores, whereas the Calcutta zone's share was as much as Rs. 26 crores. Similarly, taking the increase in the total volume of trade (exports and imports) for the country as a whole, of Rs. 38 crores for the half-year, whereas Bombay has accounted for an increase of only Rs. 13 crores, Calcutta's share has been sizably higher at Rs. 25 crores. The same journal further observes that this tendency for trade to be diverted from Bombay to Calcutta is brought out even more pointedly by the trade figures of Bombay and Calcutta for the second quarter of the year (calendar year) April-June, 1955. The figures of import for Bombay and Calcutta are Rs. 76 crores and Rs. 54 crores, as against Rs. 84 crores and Rs. 40 crores, respectively, for the corresponding quarter of 1954.

Although, from an all-India point of view, this may appear to point to a more even distribution of India's trade as between Bombay and Calcutta, Bombay's business men are naturally worried about the steadily declining importance of Bombay as the country's major port for imports, a distinction it has enjoyed for years past. It is true that, even otherwise, these interests were prepared for some at least of Bombay's trade getting diverted to Kandla, but much before that could happen, it is found, Bombay has started yielding place, in a big way, to Calcutta and, in not so big a way, but perceptibly enough, to Saurashtra. By highlighting the current year's experience, **"Vyapar"** has rightly focussed attention on this development and has also endeavoured to explain the reasons for it, which make interesting reading.

In the first place, according to the journal in question, the higher incidence of sales tax in Bombay **vis-a-vis** both Bengal and Saurashtra, is to blame for the diversion. Secondly, unlike in Calcutta, it is stated, the customs administration in Bombay is more inclined to stick to the letter of the law than to the spirit of it. Again, although they have the discretion to base the duty on either the invoice value or the market value, the Bombay customs generally base it on the market rate—incidentally, there are more commodities for which market rates are more readily available in Bombay than in Calcutta—with the result that more and more business men seem to prefer importing **via** Calcutta or Saurashtra than **via** Bombay, whenever possible. Other probable reasons hinted at are the alleged relatively greater scope than Bombay that Calcutta offers for smugglers—to East Pakistan—greater laxity in administration, etc.

These are undoubtedly plausible reasons and inasmuch as Bombay's declining share in the volume of the country's trade cannot wholly be explained away even by the decline this year in imports of raw cotton and mineral oil, the Port Trust authorities of Bombay will do well not to be complacent about their record handling of cargo in 1954-55, but seriously to examine the Port's trade position jointly with the State Government here and the Union Government, if need be, with a view to arresting the declining trend by taking timely measures.

BUSINESS NOTES

COTTON SURPLUS PROBLEM—A MIRAGE

ANY ATTEMPT to solve the world's cotton surplus problem will only be like running after a mirage if the recent trend of production, consumption and carry-over stocks of cotton in and outside the U.S.A. is any indication. The task has not been rendered easier by the October production forecast of cotton in America which has been put at 13.3 million bales, an increase of one million bales over the previous estimate. Apparently the 'cutback' in acreage has not been sufficient enough, thanks to the more-than-corresponding rise in yield per acre. The indicated yield of 405 pounds per acre is as much as 64 pounds higher than the previous record set last year and compares with the average yield of but 279 pounds.

The problem assumes serious proportions, when, to the record levels of production and stocks in the U.S., is also added the no less spectacular rise in the free world. The myth that cotton production potential outside the U.S. is limited has been exploded by the continuous upward trend in cotton production in most countries in the free world. Increasing steadily every year since 1947-48, cotton production in the free world is now almost twice as much. In fact, if the accelerated rate of increase witnessed in the last two seasons were to continue for two more seasons, consumption requirements of the free world could be met by their own production without any need to depend on imports from America.

Critics of the surplus problem are never tired of repeating that it all started owing to the virtual disregarding of the law of supply and demand; farm policy of the U.S. for over 20 years, it is pointed out, has been totally blind to the principle that consumption is the sole justification for production. But, when America which shoulders the heaviest load of the problem herself fights shy of measurably reducing its cotton production, one cannot blame other countries if they do not take seriously to a policy of limiting cotton production. It is perhaps this that accounts for the covert recognition lately that a positive approach to the problem lies more in the direction of finding out ways and means to increase total cotton consumption. "Apart from its idealistic motives", observes the International Cotton Advisory Committee, Washington, "this view has been encouraged by the increase in consumption which has actually taken place in the last three seasons". There has been a 10 per cent increase in consumption from the post-Korean low point reached in 1951-52. This has been mainly brought about by a sizable increase in aggregate cotton consumption by smaller textile industries, while the level of consumption in the major cotton textile manufacturing countries remained relatively stable. Consumption in the U.S. in 1954-55 showed an increase of a quarter of a million bales. But, in the face of a 50-million record supply of free world cotton, these increases in consumption pale into insignificance and, unless America makes a drastic cut in the crop year 1956, by producing, say, no more than six million bales, it would not be any the nearer to the solution of its cotton surplus problem.

PLANTATION LABOUR

UNTIL A few years ago, apart from what planters' organisations such as the UPASI provided, plantation labourers, now numbering about 15 lakhs, were not adequately protected by labour laws, but earnest efforts are now being made in this direction, especially since the last few years. The Plantation Labour Act, introduced more than a year ago, for example, enjoins employers to provide educational, medical and other facilities to plantation labour. It is now reported that the Government intends to set up a Minimum Wage Board for the Southern States of Madras, Travancore-Cochin, Mysore, and Coorg.

Generally speaking, plantation labour would appear to need much more nursing than do labourers in other sectors, by reason of the special nature of this industry and the relatively more exacting conditions of work on the plantations. A decade ago, the Payment of Wages Act, the Maternity Benefit Act, the Factories' Act, the Industrial Disputes Act, the Plantation Labour Act and the Minimum Wages Act did not exist, at any rate in so far as plantation labour was concerned. Conditions have perceptibly changed since; today, minimum wages are fixed in all the States under the statute; in addition, workers are entitled to a bonus out of profits, over-time payment, annual holidays with pay, compensation for lay-off, and sickness allowance. A couple of months ago, the West Bengal Government raised tea garden wages by executive action. The latest of the ameliorative measures for plantation labour is the proposed introduction of provident fund benefits for daily-rated workers. The entire standard of living of plantation workers in Travancore-Cochin and Madras is now before two industrial tribunals.

The Government's accent on labour welfare since the end of World War II and the observations of the Rege Report have had a tremendous effect on the plantation industry. The changes are also the result of a deliberate Government policy which aims at securing an improved standard of living all round and particularly for the working classes. But the pace of labour legislation has been rather fast and forced during the last three years and Mr. Khandubhai Desai's address to the Industrial Committee on Plantations two months ago and his more recent observations at Mercara indicate that this trend will perhaps continue.

The plantation industry's wage bill today exceeds Rs. 20 crores, and it is providing livelihood to an increasing number of people. Last year, the industry paid approximately Rs. 5 crores by way of export and excise duties and an estimated Rs. 9½ crores as Central income-tax to the Union Government and agricultural income-tax, sales tax, land taxes and other levies to State Governments.

The plantation labour movement as such is of very recent origin; yet there has been a complete transformation throughout the plantation industry. Modern trade unionism, with its multifarious activities, is still not known to plantations, but there has been a zestful invasion of plantation districts by professional leaders. Whether this is for good or bad remains to be seen. Ten years ago, the trade union movement in the plantation industry was quite feeble; today, its numerical strength is so great—actually and potentially—that it overshadows other affiliates in some of the federations and has become a force to reckon with. But all this, it should be borne in mind, does not stem merely from the organisational strength of labour; it arises as much, if not to a greater extent, from the general acceptance of a new philosophy and directive, to which the Government of the political party in power unreservedly subscribes.

PROSPECTS OF TEXTILE EXPORTS TO W. GERMANY

ALTHOUGH TOTAL exports of cotton piecegoods for the first eight months of 1955 at around 540 million yds., as compared to 580 million yds. for the corresponding period of last year, show a decline, the quantum of exports of cotton textiles for the month of August, 1955, at 62 million yds., shows an increase of 10 million yds., as compared to exports recorded during the same month in the previous year. While the position with regard

to Asian markets has been more or less stationary, in the case of the African, European, Oceanic and American markets, there has been a perceptible decline in the offtake of Indian piecegoods. And this doubtless explains the shortfall of about 40 million yds. in the offtake as between the first eight months of this and the previous year. However, in view of the sustained efforts of the Cotton Export Promotion Council and the international attention that our textiles have been receiving at the Indian Industries Fair, the export performance of Indian textiles during the rest of the year should show a definite improvement, and it is even possible that the aggregate quantum of exports for the whole year may exceed the 1954 total.

In keeping with the efficient manner in which the Textile Export Promotion Council has been serving as a liaison between the Indian mills and the foreign importer, the Council has analysed the prospects of exporting Indian textiles to West Germany in its latest Bulletin. Itself an important manufacturer and exporter of cotton textiles, the Federal Republic of Germany also imports large quantities of cloth. The average annual imports, as estimated by the Council, are of the order of 60 to 70 million yds. Grey cloth of all categories constitutes the bulk of West Germany's requirements, most of which is from neighbouring countries like Switzerland and Belgium, the former accounting for as much as 20.48 million yds. and the latter for 10.04 million yds., in 1954. As in other overseas markets, here too, India has to contend with the relentless rivalry of Japan, in that she supplies West Germany with the very varieties of cotton cloth which India can well supply.

According to the Trade Agreement between the two countries concluded on March 31, 1955, the Government of the Federal Republic of Germany has agreed to grant quotas for the import of textiles from India. But, so far, India has not been able to enter this market on anything like a big scale for a variety of reasons. In the first place, German importers are not fully apprised of the range of Indian productive capacity in the sphere of textiles. Secondly, the market is a highly specialised one where only the best cloth will find ready buyers. The German textile industry is itself highly advanced and produces fabrics of the finest quality.

Thanks, however, to the Council's efforts, much publicity has since been given to India's potentiality as a sustained exporter of cotton textiles. Again, the Indian samples exhibited at the Frankfurt Autumn Fair in 1954 have aroused considerable interest. According to the Council, most of the buyers prefer to buy basic cloth in uniform colours, so that such fabrics could be subjected to further printing in Germany, where they can superimpose designs to suit European tastes. If Indian manufacturers would only study the preferences of buyers and supply goods strictly according to specification (only first quality goods are of any interest, seconds are not usually accepted), the Council sees no reason why the West German market could not be tapped to the fullest advantage especially in grey cloth and, to some extent, in fine and superfine goods as well.

ROAD TRANSPORT AND THE PLAN

MR. A. D. WENZEL did some plain speaking the other day while presiding over the twenty-seventh annual general meeting of the Indian Roads and Transport Development Association in Bombay. He complained that road transport was not being developed in India as rapidly as it should be; at the current rate of development, he was afraid, it was unlikely to reach even the Nagpur Plan target by 1961. It was hoped at one time that the bulk of the balance of the Nagpur Road Plan, comprising some 57,000 miles of roads, would be completed during the second Five-Year Plan period at a cost of about Rs. 500 crores. But, the allocation in the Plan-frame, he complained, was disappointingly small, being only about Rs. 350 crores, even which was in danger of being pruned to about Rs. 250 crores. This would be hopelessly inadequate, in all conscience, considering the emphasis now being placed on industrialisation and the provision of more roads that it would entail.

The provision of roads, by itself, however, does not solve the entire road transport problem. More vehicles also need to be put on the road. Unfortunately, this has not been happening for some years past. Thus, as against an average increase of about 12½ per cent per annum in the number of vehicles in the country at the beginning of each 15-year period since 1920-21 to 1950-51, the average increase during the past four years has been only about 3.5 per cent per annum! The lopsidedness in the development of transport is further evidenced by the fact that unlike in the case of roads, the railway demand has gone up to Rs. 1,500 crores out of a total developmental expenditure of about Rs. 5,000 crores, that is as much as 30 per cent, in the second Five-Year Plan.

As is well known, the present stagnation in road transport is partly due to the restrictive provisions of Chapter IV of the Motor Vehicles Act. This enactment, it may be remembered, was conceived when the railways were suffering from a lack of traffic in the 'thirties. Those conditions have changed but the restrictive provisions in the Motor Vehicles Act are being continued all the same. Besides, taxes are going up and loads are being restricted to four or five tons when our roads are designed to carry loads of as much as eight to nine tons. Above all, there is the threat of nationalisation, which, however, has become less imminent thanks to the adoption of a "cautious programme" by the Planning Commission in this behalf.

It is hardly necessary to reiterate that with the vastly increased production in the country today and the greater increase yet proposed under the new plans of economic development, even the Nagpur Plan has become out of date, and woefully falls short of the needs. The best course to adopt now, it would seem, is to review and revise the Nagpur Plan in the light of the transport requirements of the country over a period of 20 years. As it is, the Nagpur Plan is already more than a decade old. Nor was it based on any specific or special development plans, but rather on a normal 20-year development of the country and then too on the unusually conservative pre-independence standards. The specific objective of doubling the per capita income of the country during the next 20 years warrants an immediate reconsideration of some of the basic principles of the Nagpur Plan. India has 5,50,000 villages accommodating 75 per cent of the population. The total road mileage is over 2,31,000. In other words, we have less than one road for two villages. Expressed differently, on an average, there are only 19.6 miles of roads per 100 sq. miles of area, against 202 in Great Britain, 103 in the U.S.A. and 95 in Germany. For 1,00,000 of population, the mileage is 392 in Great Britain, 2,500 in the U.S.A. and 260 in Germany as against only 69 in India. Also, whereas roads in other countries are all motorable, in India only 40 per cent of them is motorable. Moreover, the Indian road system lacks balance. For instance, the trunk roads generally are more developed than the roads in the districts and the villages. In fact, quite a large number of villages are not at all linked by a road with any town, market or railway station. It is no wonder, therefore, that many fertile tracts of land still remain undeveloped, though they are adequately served by rivers and are potentially rich in agricultural wealth. This state of affairs must change and change it will, one can feel sure, thanks to the road consciousness which the IRTDA has sedulously and successfully fostered among the people of this country.

Company Meeting

Oriental Government Security Life Assurance Co.. Ltd.

At the Extraordinary General Meeting of the Shareholders and Policyholders of the Oriental Government Security Life Assurance Company, Limited, held on the 2nd day of November, 1955, at the Registered Office of the Company, Oriental Buildings, Bombay, Mr. Dinshaw D. Romer, Director, who presided in the absence of Sir Cowasjee Jehangir, Bart., G.B.E., K.C.I.E., J.P., Chairman, who is at present abroad, said:

Gentlemen,

The result of the twenty-seventh Triennial Valuation of the Assets and Liabilities of the Company as at 31st December last is disclosed in our Actuary's Report which has been in your hands for some time and may, therefore, I presume be taken as read.

The New Business for the last Triennium surpassed all previous records of the Company and amounted to 2,74,110 policies assuring Rs. 92,37,97,061. The total number of policies in force on the Valuation date was 9,49,420 assuring Rs. 2,37,22,50,827 of which Rs. 3,60,38,253 was reassured representing an increase over the total business in force as at 31st December, 1951, of 1,19,045 in the number of policies and Rs. 47,97,52,572 in the amount assured.

The Income from Premiums at Rs. 29,17,76,149 shows an increase of 12.82 per cent.

The Net Interest Income amounted to Rs. 6,46,66,246 showing an increase of 29.92 per cent over that for the preceding Triennium.

The Expense Ratio for the Triennium was 24.0 per cent, as against 22.2 per cent, for the preceding Triennium. The increase is largely accounted for the first year's commission and other initial expenses on the larger volume of New Business completed during the Triennium.

Claims of Death during the Triennium amounted to Rs. 3,38,02,239 showing a negligible increase of 0.3 per cent. over those for the preceding Triennium, while Claims by Maturity at Rs. 9,00,60,745 show an increase of 30.7 per cent.

The Ratio of Actual Claims to Claims Expected and provided for by the Mortality Basis assumed in the Valuation, viz., the Company's own Ultimate Mortality Experience during the Decennium 1925—35, is 40.4 per cent, for the Triennium as against 50.6 per cent, for the preceding Triennium, which goes to show that the progressive improvement in the Mortality Experience of the Company continues.

RATE OF INTEREST IN RETROSPECT

It is but fitting at this stage to cast a retrospective glance at the course of the rate of interest earned on the invested funds of your Company during the past three decades or so, which has substantially influenced the bonuses declared to policyholders. The first World War was fought at very high rates of interest and this naturally meant large depreciation in the values of invested funds. Although this depreciation was very high during the war years, yet its peak was reached during the immediate post-war years, with the result that at some time during this period the rate of interest obtainable even on Government Securities touched as high as 7 per cent. Although depreciation had to be written off which meant so much loss of capital, yet the consequent rise in the rate of interest enabled life insurance companies and your Company in particular which at that time had practically all its investments in Government Securities, to value their liabilities at fairly high rates of interest so that these liabilities were more or less scaled down very nearly if not actually to the extent that depreciation had to be written off. But there was the added advantage and a substantial one at that, in that new investments could be secured at a high rate of interest and new business underwritten at very profitable rates. Although at the time it occurred, depreciation did engender a feeling of pessimism, its beneficent effect of ushering in high rates of interest came to tell with all its force and that is what precisely happened with your Company from the Valuation with respect of the triennium ended with 31st December, 1921 onwards. The bonuses declared to policyholders went on increasing step by step till they reached their peak at Rs. 25 for Whole Life and Rs. 20 for Endowment Assurance for three successive triennums, i.e., those ended with 31st December, 1927, 31st December, 1930 and 31st December, 1933.

Life Insurance Companies experience periods of real difficulty only when the rates of interest are low and this is explained by Sir Purshotamdas Thakurdas, the Chairman of the meeting which considered the Valuation as at 31st December, 1948 in the following words:—

> "The real periods of embarrassment for institutions like the 'Oriental' occur when the pendulum swings to the other side, that is, when rates of interest are low and this in spite of the consequent appreciation will be practically neutralized by the increase in the value of the liabilities imposed by the necessity to make the valuation at a low rate of interest and, unlike the contrary case of periods of high yield, there is no compensating advantage, but only disadvantage in that new investments can only be made at unremunerative rates of interest. If during this period high taxation also operates, the resulting embarrassment can only be appreciated by those who have had practical experience of the situation."

CHEAP MONEY POLICY AND HIGH RATE OF TAXATION

It is common knowledge that from the year 1934 onwards the rate of interest began to fall and when the Second World War commenced towards the close of the Summer of 1939, those who expected a rise in the rate of interest were disappointed and Government, having learnt a bitter lesson from their experience in the First World War, fought the second at very low rates of interest, and the progressively increasing amounts required by Government both in the U.K. and in this Country to continue the War of the global nature of the Second World War were raised at progressively diminishing rates of interest. To crown all, came the parting gift of the previous British administration before they handed over the Government of this Country to its own nationals, viz., the reduction by ½ per cent, in the rate of interest available on 3½ per cent, Government Paper which was announced in May 1946. One

would naturally expect that diminution in the rate of interest payable on a Security would be followed by a corresponding shrinkage in its price. Yet the rate of interest ruling at that time was so low that the fall in the market value was hardly noticeable. The harm done, however, to institutions of the type of the 'Oriental' which invested practically all their funds in Government Securities and mostly in 3½ per cent, Government Paper—as this was the only Security of sufficiently large volume that was easily available to satisfy the investment needs of this institution—could be realized if it is remembered that due to this act of Government the interest income of your Company diminished by as much as Rs. 13 lakhs per annum.

Added to this, the rate of income-tax and super-tax also was progressively stepped up with the result that in early September 1946 when the 3½ per cent, Government Paper just before conversion to 3 per cent, 1986 stood at something like Rs. 107, an investor in this Queen of Securities in this Country hardly realized 2 per cent, net after allowing for income-tax. The result on bonuses need hardly be stressed. Bonuses had naturally to be stepped down progressively from Rs. 25 and Rs. 20 at the 1933 Valuation to Rs. 22½ and Rs. 18 at the next, and successively down till they touched the lowest point of Rs. 10 and Rs. 8 at the Valuation as at 31st December, 1945.

The conditions inducing a feeling of pessimism enumerated above continued throughout the year 1946. Finding that the cushion provided by Actuarial foresight to make the business of life insurance sustain shocks particularly under the head of interest was getting thinned down, top-ranking companies came to an understanding to increase the rates of premium effective from 1st January, 1947. This enabled the companies to turn the corner and at the next Valuation of the 'Oriental' as at 31st December, 1948 bonuses could be stepped up from 10 and Rs. 8 at the 1945 Valuation to Rs. 12½ and Rs. 10 for Whole Life and Endowment Assurances respectively. As a matter of fact, commenting on this, the Chairman of the Company, while presiding at the meeting which considered the Valuation Report of the Actuary as at 31st December, 1948, made the following remarks which have turned out to be almost prophetic when taken in the light of subsequent events:—

"It is but fitting that this SEVENTY-FIFTH MILESTONE in the history of this great institution should be the harbinger of welcome news to those associated with it regarding its progress and I am particularly gratified that synchronously with the commemoration of this great event I am in a position to announce the turn of the tide as disclosed by the Valuation and recommend for your adoption the increase in the bonuses to Rs. 12½ and Rs. 10 per thousand per annum on participating Whole Life and Endowment Assurances respectively....."

There was also another contributing factor and this was the alteration in the Articles of Association of the Company in December 1946 by which restrictions imposed as regards investment of the funds of the Company outside what is required to be invested in Government Securities in terms of the Trust Deed were removed. This enabled the Company to take interest in high class mortgages and although the rate of interest applicable to the Triennium ended 31st December, 1948 diminished to 2.79 per cent, from 3.41 per cent, applicable to the previous triennium, but for the freedom, although small, secured by the alteration in the Articles of Association above referred to, the position might have been somewhat worse. It should be remembered that the diminution in the rate of interest above referred to necessitated also the diminution in the Valuation rate of interest from 2½ per cent, applicable to the triennium ended 31st December, 1945 to 2⅝ per cent in the next triennium.

FAVOURABLE FACTORS CONTRIBUTING TOWARDS PROGRESSING HIGHER PROFITS

The freedom secured by the alteration in the Articles of Association had its comparatively larger effect in the triennium ended with 31st December, 1951 for the net rate of interest improved from 2.79 per cent, applicable to the previous triennium to 2.85 per cent, in this triennium. This combined with a sizable mortality profit enabled the Company to further increase the bonuses from Rs. 12½ and Rs. 10 on Whole Life and Endowment Assurance to Rs. 15 and Rs. 12 on these respective types of policies.

During the next triennium ended with 31st December 1954 more than one favourable force was present. The amendment made to the Insurance Act by which life insurance companies were allowed to add to the Surplus the tax deducted at source in the preceding intervaluation period and provide separately for the income-tax liability is the first major beneficial change. It is hardly necessary to say that to secure this concession your Company played a very large part in placing the case of life insurance companies before Government. The law as it stood before this concession was granted made life insurance companies pay tax on a hypothetical addition to Surplus which in fact was not available for distribution either as bonus to Policyholders or as dividend to Shareholders and yet they had to pay tax on this amount. It had its maximum intensity in its application to companies of the type of the 'Oriental' which invested the bulk of its funds in Government Securities on which tax was deducted at source.

The second and by no means less important factor was the amendment to the Income-tax Act in terms of which relief was given to life insurance companies by exempting tax on 80 per cent, of the amount distributed to or reserved for Policyholders. This also had its full effect on the results of the Valuation as at 31st December, 1954.

Thirdly, the increase in the Bank Rate from 3 per cent, to 3½ per cent, in November 1951 had its beneficial effect on the business of life insurance. Although depreciation in the value of invested funds set in, more or less to that extent liabilities also could be scaled down by increasing the rate of interest adopted in the valuation while substantial advantage accrued by the opportunity provided for the investment of new funds at remunerative rates of interest. This combined with the moderate freedom in its investment policy secured by your Company by the alteration of its Articles of Association above referred to increased the earned average net rate of interest applicable to the Triennium under consideration to as much as 3.92 per cent, from 2.85 per cent, applicable to the preceding Valuation thereby enabling the Company to considerably strengthen the interest basis at this Valuation as compared to the previous one in spite of the increase in the Valuation rate of interest by a paltry one anna. The sum total of all the forces enumerated above has been that, so far as your Company is concerned, the Valuation has disclosed a very handsome Surplus which has enabled the Actuary to recommend bonuses at the rates of Rs. 22½ per Thousand per annum and Rs. 18 per Thousand per annum on Whole Life and Endowment Assurances respectively.

As will be seen from the Actuary's Report, the Valuation discloses a Profit of Rs. 7,09,73,739 as compared with Rs. 4,64,63,479 in 1951. The mode of distribution of the Profit has been carefully considered by the Directors and has their full approval and resolutions covering these proposals will be placed before you today.

In accordance with the Articles of Association, before any allocation of the Profit can be made to the

Shareholders and the Policyholders, not less than one-third of the Gross Profit must be carried to reserve and nine-tenths of the remainder after such deduction must be allocated to the Policyholders and one-tenth to the Shareholders.

ALLOCATION OF PROFITS—50 PERCENT HIGHER BONUSES TO POLICYHOLDERS

As shown in the Actuary's Report, the amount out of the Gross Profit of Rs. 7,09,73,739 proposed to be set aside and carried to reserve in terms of the Articles of Association is Rs. 4,36,75,159 which will leave for allocation to Shareholders and Policyholders a sum of Rs. 2,72,98,580. The Contingencies Reserve Fund as a result of the transfer to it of the above sum of Rs. 4,36,75,159 would be augmented to Rs. 4,41,44,831 and it is recommended that out of this amount a sum of Rs. 4,31,27,135 be retransferred to augment the policyholders' share of nine-tenths of the Net Profit to provide Bonus to With-profit Policyholders for the Triennium ended 31st December last at the increased rates of Rs. 22½ per thousand per annum on Whole Life Policies and Rs. 18 per thousand per annum on Endowment Assurance Policies and to provide for tax on the Policyholders' portion of the Net Profit. The Shareholders' share of one-tenth of the Net Profit amounts to Rs. 27,29,858 and your Directors recommend that this amount be utilised to provide a Dividend for the years 1955, 1956 and 1957 at the increased rate of Rs. 200 per share per annum and for tax on the Shareholders' portion of the Net Profit. Your Directors further recommend that the following three sums aggregating Rs. 5,44,271 be retransferred from the Contingencies Reserve Fund, viz., Rs. 3,57,600 to Shareholders' Account, Rs. 1,84,732 to provide for tax on the amount transferred to Shareholders Account and Rs. 1,939 to provide for tax on the portion of profit carried to the Contingencies Reserve Fund.

After these operations, the balance remaining at the credit of the Contingencies Reserve Fund will be Rs. 4,73,425 as compared with Rs. 4,69,672, the amount at which it stood as at 31st December, 1954.

If these recommendations are given effect to, the Shareholders' Dividend together with the amount transferred to Shareholders' Account along with provision for tax on both will absorb 4.6 per cent, of the total Profit distributed or allocated together with provision for tax thereon, while the Policyholders' Bonus and provision for tax thereon will account for the balance of 95.4 per cent. The corresponding figures for the preceding Triennium were 5.1 per cent, and 94.9 per cent.

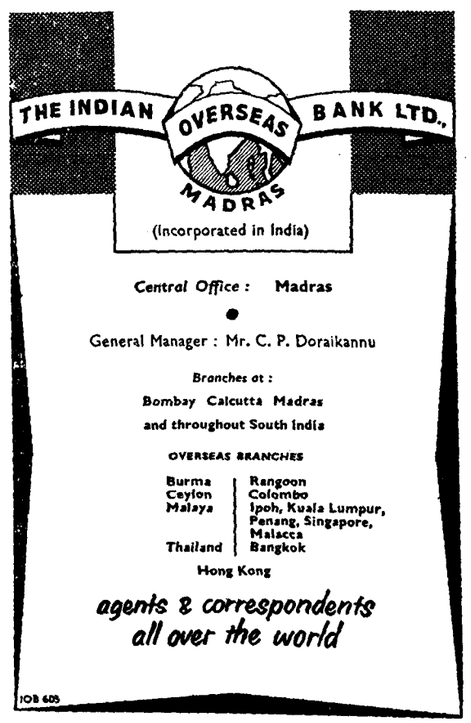
I should like at this stage to make some comments on the provision made for the first time in the history of the Company of Rs. 3,57,600 to be carried to the Shareholders' Account and also the other amount of Rs. 1,84,732 representing tax thereon. The setting up of these amounts had your Board's most earnest and careful consideration and they came to the conclusion that in fairness to the Shareholders these amounts should be earmarked for their benefit. It was not their desire to increase the net dividend payable to Shareholders beyond Rs. 200 from Rs. 175 paid on each share on the last occasion. At the same time the idea of fairness to Shareholders mentioned above induced them to earmark a more or less even percentage of the total Surplus emerging at the Valuation for the benefit of Shareholders. In this connection, the following table giving the percentage of the total Surplus taken to Shareholders' account during the last few trienniums will be of interest.

Triennium ended with	Percentage of Surplus Distributed to Shareholders
1948	4.8
1951	5.1
1954	4.6

It will be observed from a scrutiny of the figures in the above table that the total amount allocated to the Shareholders at the Triennium under consideration including the sum above-mentioned of Rs. 3,57,600 and tax thereon represent only 4.6 per cent, of the total Surplus distributed to Shareholders and Policyholders and this you will find is the lowest figure of all the three Trienniums shown in the above table. In the light of these figures which speak more forcibly than words, it is hardly necessary to justify the amount carried to the Shareholders' Account and the provision made for tax thereon.

I have no doubt that the results disclosed by the Valuation, which have enabled the Company to increase for the third Triennium in succession bonuses to Policyholders and that by such a substantial margin as 50 per cent, of the previously declared rates, will be considered very satisfactory by them. The results will, I hope, have given equal satisfaction to the Shareholders since the Dividends distributable to them for the next three years have been further increased to Rs. 200 per share per annum free of income-tax besides which a sum of Rs. 3,57,600 will be transferred to Shareholders' Account and Rs. 1,84,732 set apart as provision for tax on such amount.

Gentlemen, I now beg to move that the Actuary's Report on the Valuation of the Assets and Liabilities of the Company as at 31st December, 1954 be adopted and that the Meeting declares that the amount of Profit which has been realized is Rs. 7,09,73,739, before making provision for tax, as found by the Actuary.



COMPANY AFFAIRS

TATA CHEMICALS LTD.

The performance of the Tata Chemicals Ltd. for the year to June 30, 1955, fully vindicates the recent exceptional strength of the share on the Bombay Stock Exchange. Although the gross profit was lower by Rs. 5½ lakhs, both production and sales were substantially higher. The expansion and modernisation programme has been well under way, and the Directors report that, with the progressive implementation of the programme, the revenues of the Company will increase enough to make a satisfactory return to investors even on a conservative estimate of selling prices.

The net profit of the Company for the year under review is Rs. 13.55 lakhs against Rs. 12.28 lakhs, after providing Rs. 18 lakhs (Rs. 24.73 lakhs) for depreciation and Rs. 1.62 lakhs (Rs. 1.48 lakhs) for Managing Agents' Commission. With Rs. 57,571 brought in, the total profit available for disposal is Rs. 14.13 lakhs (Rs. 12.58 lakhs). Out of this, the directors have appropriated Rs. 5,000 (nil) for bad and doubtful debts, and Rs. 13.50 lakhs (Rs. 12 lakhs) for dividend reserve. The Directors recommend that the arrears of the 5 per cent preference dividends up to June, 1955 be cleared. This absorbs Rs. 13.49 lakhs.

The amount of Rs. 18 lakhs set aside for depreciation, while fully covering normal depreciation and shift allowances, includes Rs. 4 lakhs only towards depreciation arrears accumulated over previous years. The Directors have decided to limit this additional provision this year to enable the liquidation of dividend arrears on preference shares.

The lower gross profits were mainly due to the reduction of Rs. 50 per ton in November in the late prices of soda ash and caustic soda, which affected revenues for the year by about Rs. 15 lakhs. An additional factor was the necessity, caused by the heavy drop in salt production in 1953-54, to buy substantial quantities of salt from the market to ensure uninterrupted operation of the Company's soda ash plant.

The output of soda ash averaged 123 tons per day, compared with 107 tons in the previous year. A gratifying feature was that even the rated capacity of 140 tons per day was exceeded on occasions. The production of sodium bicarbonate increased by 60 per cent, while the output of caustic soda was maintained at substantially the same level as in the previous year. Production of bromides (potassium bromide, sodium bromide, and ammonium bromide) showed a rise of 46 per cent. The benzene hexachloride plant went into operation in May and its performance has been satisfactory, it is reported. Production of other heavy chemicals was maintained, but marine chemicals like magnesium chloride reflected a substantial drop, partly due to reduced demand, and partly due to heavy rains in the previous year which affected the availability of bitterns severely. Sales of salt and chemicals were higher at Rs. 2.19 crores, as against Rs. 2 crores.

The Company has decided on a Rs. 224 lakh programme of expansion for the next five years. As a result, the production of soda ash will be increased from 140 tons to 200 tons per day and of caustic soda from about 5,000 tons to 10,500 tons a year. The output of sodium bicarbonate will be increased from 10 tons to 15 tons per day and that of the bromine plant will be doubled. Steps will also be taken to improve the efficiency of the various plants and to reduce manufacturing costs.

The following table gives the summarised balance-sheets of the Company for 1954-55, as also for 1953-54:

LIABILITIES

Year	Capital & Debentures	Re-serves	Borrowings	Other Liabilities
1954-55 ..	217.16	126.56	61.92	62.56
1953-54 ..	177.60	107.00	89.47	29.33

ASSETS

(Figures in lakhs of Rs.)

Profit & Loss a/c.	Total	Fixed Assets, Stores, Stocks etc.	Book Debts & Advances	Cash & Other Balances
0.58	468.79	435.63	29.02	4.15
0.58	403.99	376.38	25.07	2.54

ASHOKA CEMENT LIMITED

NOTICE is hereby given that the first Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at Dalmianagar on Saturday the 26th November, 1955, at 11 A.M., (i) To receive and adopt the Directors' Report and Balance Sheet as at 30th September, 1955, (ii) to elect directors, and (iii) to appoint Auditors and fix their remuneration.

The share transfer books of the Company will be closed from the 21st to 26th November, 1955 (both days inclusive).

By Order of the Board,

For ASHOKA CEMENT LIMITED,

HARI DUTTA

Secretary.

DALMIANAGAR,

5th November, 1955.

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COMMODITY NEWS AND NOTES

ESTIMATE OF KHARIF PULSES OTHER THAN TUR—1955-56

The All-India First Estimate of Kharif Pulses other than Tur, 1955-56 puts the current year's area at 9,688,000 acres as against the adjusted estimate of 10,439,000 acres for last year. This shows a decrease of 751,000 acres or 7.2 per cent in area during the current year as compared with that of last year. The decline in acreage has ocurred mainly in Bombay, Uttar Pradesh, Rajasthan and Kutch due to unfavourable weather conditions at the time of sowing. This decrease has been shared by all pulses except Kulthi and Peas, acreage of which showed slight increase during the current year. This estimate generally covers the period up to the end of August, 1955. Till then, the condition of the crop was reported to be generally satisfactory.

WORLD'S MAIZE OUTPUT IN 1955-56

According to a report of the U.S. Agriculture Department, maize output for the world as a whole in the 1955-56 season would probably be a record. The most significant development this year was the great expansion in maize acreage in the Soviet Union, in spite of farming difficulties in the Soviet Union which had left more than half her maize crop unharvested by October 1. No figures of Soviet production are mentioned except that the Soviet planting was 44 million acres.

The present indications are that the world production would be near about 6,060 million bushels. It would not only exceed the previous record of 1948, but would be 10 per cent above the 1954-55 crop of 5,500 bushels. The increase was mainly in the U.S.A. and the Soviet Union.

The report placed European production at 670 million bushels i.e. 9 per cent higher than the 1954 crop. However, Asia appeared to have about the same total maize crop as in 1954. This reflected substantial expansion in India, Indonesia, the Philippines and smaller countries. In Australia maize planting was estimated at only just over half the pre-war acreage. U.S. output would bring her total supplies to a new high level of 4,142 million bushels, bringing the export availability of foodgrains in the U.S.A. to a much higher volume than any forcible import demand.

INDIAN COTTON "BONUS"

The Government of India have released a quota of 150,000 bales of cotton for export. Of this, 100,000 bales is of all varieties of staple—¾ inch and below except coconades and Bengal deshi, and distributable to quota holders as a bonus quota. The remaining 50,000 bales, exclusively of Bengal deshi, is distributable among established exporters and registered dealers, according to the existing policy for the allotment of export quotas during the 1955-56 season.

BLEACHING EARTHS FOR DECOLOURIZING VEGETABLE OILS

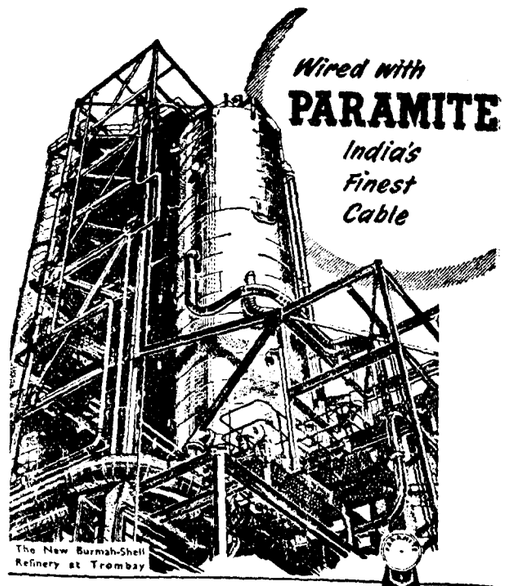
A draft Indian standard method of sampling and test for bleaching earths used for decolourizing vegetable oils has been recently circulated by the Indian Standards Institution for eliciting comments. The draft covers methods for sampling of bleaching earths and various tests required for judging the quality of the material. It covers methods for determining the moisture, bulk density, screen analysis, acidity or alkalinity, decolourizing power, filtrability and oil retention. Large quantities of different types of bleaching earths are used in the country for decolourizing vegetable oils. There are, however, no uniform methods of sampling and test for these materials nor has a national standard yet been formulated by any country on this subject. With a view to introducing uniform methods of sampling and test for these materials, the Indian Standards Institution undertook the formulation of this standard. This draft standard has been prepared by the Bleaching Earths Sub-Committee working under ISI's Oils, Fats and Soaps Sectional Committee.

RICE EXPORT

It is reported the Government of India would allow export of rice up to a maximum of 2,00,000 tons till the end of this year. Earlier, Government had allowed exports only up to the end of September this year. It reviewed the position in the light of damages caused to crops by the floods this year and decided to allow further exports up to a maximum of 2,00,000 tons, in view of the comfortable food position in the country. So far India has exported 65,000 tons of rice to a number of countries, which include the United Kingdom, Ceylon Aden, Bahrein Islands and Mauritius.

WEST BENGAL'S JUTE PRODUCTION

West Bengal's jute production this year has recorded and all-time high of 26 lakh bales, according to an official estimate. At the time of partition, West Bengal produced only six and a half lakh bales. The acreage under jute has also increased from 2,50,000 at the time of partition to 10,20,000 now. This year's yield compares favourably with the country's total production of 34 lakh bales, last year as against the usual offtake of 65 to 72 lakh bales annually by India's jute mills.



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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February „ c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March „ c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April „ c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May „ c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June „ c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July „ c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August „ c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September „ c ..	313.0	396.1	324.4	368.8	556.1	353.4	90.9	100.7	87.2	122.8
Week Ending										
17-9-1955 ..	312.0	401.0	324.4	369.3	553.3	353.7	90.8	100.7	87.0	122.3
24-9-1955 ..	306.5	397.5	324.8	368.6	554.9	351.0	90.9	100.7	87.1	122.2
1-10-1955 ..	308.3	396.2	325.0*	369.9	560 2	352.1	90.9	100.7	87.3	122.3
8-10-1955 ..	306.4	397.8	329.4	373.6*	559.9	353.5*	91.0	100.7	87.5	123.5
15-10-1955 ..	319.4	408.2	330.0	370.2	559.0	358.8	91.0	100.7	87.2	124 1
22-10-1955 ..	320.4	408.7	332.2	370.9	559.4	359.8	91.0	100.8	87.0	125.5

c Average of weeks. *Revised

†Economic Adviser's Series. ††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	217	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	—
August	325	341	229	134	329	375	—	137	318	136	138	—
September	317	333	224	133	—	373	—	—	322	—	—	—
October	—	—	—	—	—	—	—	—	323	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	5-11-1955			29-10-1955			22-10-1955			15-10-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	96- 4	94-15	95- 7	95-12	94- 6	95- 3	95- 3	94- 4	94-14	94-12	93-10	94- 6
Silver (per 100 fine tolas)	168-14	167- 5	168- 0	169-15	167-12	169- 0	170- 8	168- 6	169-14	168- 4	166- 8	167- 9

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274.95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
February 1955	1,239,39	12,46	1,251,85	40,02	663,15	703,17	56.17	103,47	445,21	1,251,85
March „	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54 41	101,74	485,44	1,287,58
April „	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May „	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June „	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July „	1,306,93	29,34	1,336,28	40,02	646 04	686,06	51.34	105,87	543,65	1,336,28
August „	1,299,00	26,50	1,325,50	40,02	633 29	673,29	50.79	108,21	543,69	1,325,50
September „	1,290,78	23.49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
Week Ending										
30-9-1955	1,280,22	32,61	1,312,83	40,02	671,82	711.83	54.22	112,05	488,95	1,312,83
7-10-1955	1,301,45	9,89	1,311.66	40,02	646,97	686,99	52.39	110,56	513,79	1,311,34
14-10-1955	1,302,41	9,25	1,316,04	40,02	627,10	667,11	50.86	110,88	533,67	1,311,66
21-10 1955	1,303,26	8,73	1,311,99	40,02	627,10	667,11	50.85	111 21	533,67	1,311,99
28-10-1955	1,305.86	16,00	1,321 87	40,02	627,10	667,11	50.47	111,15	543.60	1,321,87

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1 57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1 71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3 35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,79	1 37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36 18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
February 1955	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,63
March „	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April „	56 47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May „	52.9	17.90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June „	55,64	12,33	50,02	21,89	139,88	43,80	191,44	18,10	12,78	63,67	109	28,61	39,55	29,98
July „	76,93	17,83	50,62	19 03	164,40	32,13	206,52	29,47	9,53	69,81	88	32,44	58,34	6,02
August „	87 33	20,66	51 35	20 23	179 12	30 62	219,74	26 64	9,90	86,25	1,92	25 04	62,18	7,74
September „	60,36	18,28	55,51	16,91	151,06	21,26	182 32	23.63	13,68	51,57	1,02	28,64	52,13	11,65
Week Ending														
30-9-1955	58,04	11,64	62,77	16,37	148,83	22,86	181,69	32,75	14,28	47,66†	2,02	23,11	49,85	12,01
7-10-1955	51,15	9,59	67,25	16,36	144,35	23,82	178,17	9,99	11,90	69,43†	2,67	22,10	50,11	11,98
14 10-1955	51,76	29,08	61,94	15,86	158,63	24,87	193,50	9,41	9,91	91,60†	35	20,94	50,22	12,06
21-10-1955	48,34	25,48	57,59	15,88	147,29	27,17	184,46	8,85	8,23	85,41†	..	19,45	50,30	12,22
28 10 1955	49,33	30 23	57,71	15,79	153,07	27,82	190,89	16,13	7,15	85,27†	2	19,57	50,33	12,42

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

INDEX NUMBERS OF COST OF LIVING AND WHOLESALE PRICES IN FOREIGN COUNTRIES

(Monthly averages or calendar months)

(Base adjusted to 1948=100)

	Cost of Living			Wholesale Prices		
	Japan (1)	U.S.A.	U.K.	Japan	U S. A	U. K.
1950	123	100	106	193	99	120
1951	143	108	116	268	110	146
1952	150	110	126	273	107	149
1953	160	111	130	277	105	150
1954	170	112	132	281 (3)	106	151
1953 November	166	112	130	281	105	149
December	166	112	130	282	105	149
1954 January	169	112	130	288	106	149
February	170	112	130	289	106	149
March	170	112	131	287	106	150
April	171	111	132	277	106	150
May	170	112	131	280	106	151
June	171	112	132	277	105	152
July	172	112	134	278	106	150
August	172	112	133	275	106	150
September	171	112	133	275	105	150
October	173	111	134	274	105	150
November	169	111	134	270 (2)	105	151
December	168	111	135	268	105	153
1955 January	170	111	136	269	105	154
February	170	111	136	270	106	154
March	169	111	136	271	105	153
April	170	111	136	268	106	152
May	169	111	136	..	105	152
June	168	111	139	..	106	153
July	..	112	139	..	108	153
August	..	..	..	..	108	..

(1) New series (base 1951=100) linked to the old index at January 1951.
(2) New series (base 1952=100) linked to the old index at 1952.
(3) Average for ten months.

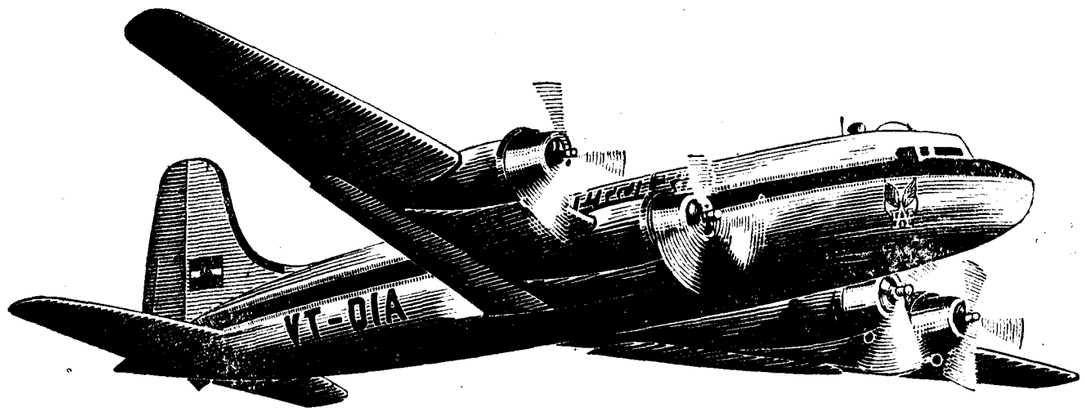
Source: U.S. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate		Area		Yield	
			Acres ('000)	Increase +or decrease —over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase +or decrease —over the corresponding estimate of the previous year (per cent)
Food grains:						
Rice	Final	1954-55	74,424	—3.4	24,209	—12.2
Wheat	Final	1954-55	26,842	+2.0	8,539	+8.5
Jowar	Final	1954-55	43,456	—0.5	9,092	+14.9
Bajra	Final	1954-55	27,350	—9.9	3,555	—20.3
Maize	Final	1954-55	9,325	—0.4	2,944	—0.7
Ragi	Final	1954-55	5,747	+0.6	1,778	—2.3
Barley	Final	1954-55	7,999	—8.3	2,786	—4.1
Gram	Final	1954-55	20,991	+6.3	5,125	+7.3
Sugar cane	First	1955-56	3,970	+8.9	..	..
Oil seeds						
i. Edible—						
Sesamum	First	1955-56	3,588	—3.4	..	..
Groundnut	First	1955-56	7,625	—3.6	..	..
Rape & Mustard ..	Second	1954-55	2,087	+2.1	..	..
ii. Non-edible						
Linseed	Final	1954-55	3,290	—2.1	388	+3.7
Castorseed	Final	1954-55	1,273	—7.3	112	+3.7
Fibres:						
Cotton	First	1955-56	13,173	+2.0	..	..
Jute	First	1955-56	1,343	+0.7	..	..
Other Crops:						
Tobacco	Final	1954-55	860	—5.7	248	—7.5
Potato	Second	1954-55	639	+0.9	1,600	—1.3

Source: Ministry of Food and Agriculture.

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Jawaharlal Nehru

JAWAHARLAL NEHRU was sixty-six last Monday. By a happy coincidence this was the main day of celebration of Diwali—the great feast of lights. There can be no doubt in the mind of anyone in Delhi—where the celebrations of the Prime Minister's birthday danced literally amidst the lights—of the deep and abiding place that he occupies in the hearts of the Indian people. There was much that was formal in the greetings that have been tendered to him from many countries and even in the telegrams that he has received from all parts of his own. But anyone who would conclude from this aspect of formality and the excessive respect for his authority that was displayed that India's Prime Minister does not enjoy the deep, and even the passionate, devotion of the Indian people will lose the significance of Jawaharlal Nehru in the political life of the Indian Union. It is India's central fact today that out of the troubled past there has emerged a hero of the Indian Union who will ride to the end of his life on the topmost wave of popular emotion that has ever run across this country. The fourteenth of November has become merely a symbol of this great political fact.

Jawaharlal Nehru today rides not only on the crest of Indian popular emotion. No historical observer objectively assessing the effectiveness of his policies will question the point that at this moment they are running at an all-time high. On the eve of the visit of the great Soviet leaders—whose visit itself is a profound tribute

to the importance of Jawaharlal Nehru's India —no one will question the point that India's foreign policy has given us a range of choice enjoyed today by no other country in the world. There are dangers in this choice. But which other nation of the world placed in India's position would not seek to have the power to choose, as we have, even if in the process of choosing it might make a selection different from that which we have now made? The most severe critic of India's foreign policy will be bound to admit that, at least in the hard language of Realpolitik, it has been amazingly successful. It is true that Realpolitik has a habit of collapsing at critical moments. But the crisis, if it is to come, is certainly not here and now.

In the last fortnight the spectacular success achieved in international affairs has been reflected in a unique manner in the domestic scene. There were many in India who were dubious about the advisability of opening discussions with the dissatisfied groups on the recommendations of the States Reorganisation Commission. It is no secret that the initiative for these discussions came from the Prime Minister himself. It is no secret, too, that this was a direct violation of his own counsel not to discuss the recommendations with a view to a revision in detail. The counsel that the Prime Minister gives to the Indian people is not necessarily a precept for himself. Nothing, however, succeeds like success. What is significant is that the Prime Minister's practice in this case has provided a solvent for numerous problems believed widely to have been insoluble. The prompt and even hasty decisions which the Working Committee of the Congress have made have been amazingly effective. They have avoided further acute controversy and protest and by and large have provided a settlement acceptable to the country as a whole as well as to dissident groups. In this tremendous achievement—almost as great in some respects as the leadership given by Sardar Vallabhbhai Patel at the time of the integration of the States—the Prime Minister's towering personality and astute political judgment have been a central piece. It is right that the highest tribute should be paid to him for this display of statesmanship in the truly grand manner.

On the economic front perhaps the Prime Minister's incursions have been less happy. The socialistic pattern of society—to which concept his name is inextricably attached—is at best an uncertain quantity. All satisfaction hitherto derived from it has been political; and greater political support for the Congress is redundant. In the economic sphere, it has caused as much confusion as almost anything that has been done in the last seven years. While, however, the "socialistic pattern of society" has thrown new uncertainty into the economic arena, it cannot be contended that the main indicators of economic progress show anything but a favourable face. All the indices of production are running near their peak; prices and other indicators of welfare are as satisfactory as they have ever been since Independence. It is true much of the success belongs in fact to the private sector, which has been responsible for production. Since, however, the Prime Minister's government would have incurred displeasure had these results not been achieved, one might claim that the Prime Minister's regime, if not directly responsible for success, is entitled to credit for correctly holding the lines. Actually, with rising development expenditure, a mainspring of rising production, the State has had a very positive role to play.

Are there no flaws in this remarkable story of personal success? This question is being asked and should be answered. There are many people in India whose admiration for the Prime Minister does not permit of a questioning of his policy. This in itself constitutes some flaw in the democratic apparatus although it is by no means a responsibility of the Prime Minister alone. Nevertheless the fact that the overwhelming authority of the Prime Minister is carrying over to a point when democratic criticism is being restricted is a weakness of Jawaharlal Nehru's India which stems in part from the character of the Prime Minister's administration. It is an administration which is too intensely personal and too intensely associated with his outlook to be as successful an instrument of group thinking as the best administrations of other countries. The deterioration in the standards of the Higher Civil Services since the departure of Sardar Vallabhbhai Patel give both the measure of the weakness of present administration and of the gap, which the departure of the Deputy Prime Minister of India in 1950 has left unfilled. Progress, economic or political, is not always a full measure of the worth and purpose of democratic government. A democracy must live as much by what it is as by what it does. Put otherwise, its means are as important as its ends. A monolithic administration—however large the trappings of democracy with which it is surrounded—takes at least one dangerous step towards totalitarianism.

It is, perhaps, because Jawarharlal Nehru's India is not completely aware of the monolithic character in its own composition that it tends to be unaware of the character of totalitarianism abroad. It may be that the Free World as a whole tends to mislead the character of international Communism. On the other hand, very few people conversant with the recent history of Europe will deny that these fears look reasonable. The Communist countries have a book and religions based on books must be judged as much by their written words as by their flexible deeds. To argue that the book is irrelevant today is to assume away a central fact for which at least the Russians have given us no justification. A temporary change of front and great flexibility in the short period are perfectly consistent with hard and even desperate loyalty to the written and inspired word. Even when the Communist countries depart most strongly from previous orthodox practice they proclaim loudly their loyalty to the principles of Marx and Lenin. The world outside India draws the conclusion that the law and the prophets have still force. India tends to think that the latest sole professions of Panchshila have modified the original doctrine. Unhappily in neither case can the evidence be tested since Time is the only true testing-ground.

We in India are not today interested in the tests or the ravages of Time. We are living happily, even if a little foolishly, in the present. All we ask of Time is that it should deal gently with Jawaharlal. For he is our philosophy; indeed, he is greater than any philosophy. He has beckoned to Time to stop and has won from its reluctant hands the secret of perpetual youth. Today he is our mind and our heart. Long may he endure; for where shall we find our minds and our hearts when Time turns hard?

New Lines for Railways

THOUGH the total outlay in the public sector under the second Five-Year Plan has now been proposed to be increased by about Rs. 500 crores, mainly because of the industrial projects and the size of the Railway Plan, it seems probable that railway development schemes would suffer some pruning in order to keep them even within the extended limits. It is believed that only about half the additional outlay on the Plan would be diverted to the Railways, leaving a gap of almost equal size. The first casualty in such pruning would be the plans for new lines of about 3,000 miles, involving an outlay of over Rs. 300 crores, and possibly some of the electrification schemes. New lines have been regarded as of some importance at this stage not only because the achievement under the first Five-Year Plan in this respect has been meagre but also because there are still many areas where the process of development cannot make a real beginning until railway lines are built. Either for connecting these areas with market centres for their products or for breaking their isolation, thereby encouraging outsiders to take a hand in developing the resources of these remote areas, it is axiomatic that transport must be facilitated. More roads may be substitutes for railway lines but there has been a preference for railways in most areas, partly explained by the fact that the financial burden of development would then rest with the Centre.

For long, new line development has been hindered by a financial calculus conceived in conservative terms, which appeared to make many lines uneconomic. The estimates were in most cases rough guesses which were inadequate yardsticks of soundness and there is no need to regret their abandonment in favour of a scheme of priorities. The lines required to meet the needs of heavy industrial and agricultural development schemes claim the first place under this scheme. The proposed centres of heavy industry—iron and steel being the leading example—being mainly located in and around the coalfield areas, it would be legitimate to give special and urgent attention to the new lines needed in these areas. The chances, at the moment, are that these lines would almost exhaust the available outlay on new lines.

The implication of such a course is that new lines in the next two categories of priority will continue to be neglected. In the second group are the lines required to serve areas rich in mineral resources but still not exploited and those which provide commodities for export abroad. These, however, are very vague definitions and it might be difficult to establish that there are visible and stable domestic or foreign markets for the hitherto unexploited minerals or other commodities exportable from these areas. This category therefore merges into the third group of underdeveloped areas lacking adequate means of communication. In any scheme of balanced regional development, it is impossible wholly to overlook the economic problem of these areas which depend on freer movement of men and commodities for their future prosperity.

A new factor has now come into this picture with the States Reorganisation Commission's Report. The Commission has made occasional and general references to the railway facilities in various areas to emphasise either the backwardness of these areas or the minimum essential requirements of transport for administrative and other purposes. In Assam, the proposals for new lines in Garo hills for the development of the coal and cement industries and the extension of the North-Eastern Railway system to cover the Khasi, Jaintia and Lushai hills have been considered necessary. This would involve over 250 miles of new track besides expenditure on strengthening the Assam rail link. There is now no railway to link Manipur with the rest of India. Special attention has also been suggested for the communication links which would help solve some of West Bengal's difficulties. The inaccessibility of the eastern areas of the Malda and West Dinajpur districts, the demand for the Farraka Bridge and a new line from Dhubri in Assam to Siliguri have all been regarded as essential by the West Bengal Government and have secured the tacit approval of the S.R.C.

A different order of priority is demanded by the communications system required for the effective administration of the new large-sized States like Karnataka and Madhya Pradesh. In the latter State, the formation of which may now be regarded as a certainty, the S.R.C. recommended as essential new lines connecting Jabalpur with Lalitpur or Jhansi and two new rail links to selected points in the South-West and South-East. The change in the proposed capital may alter only slightly the importance to be attached to this proposal. The Railway Board's scheme to construct a new line from Gwalior to Ujjain (via Shivpuri, Guna and Agar) has also been deemed necessary to link the four northern districts of Madhya Bharat with the rest of that State. In Karnataka also, the lack of direct links between the northern areas and Bangalore will be a serious handicap. Even now the railway routes between Mangalore on the West Coast and parts of Bellary or North Kanara are so roundabout that administrative proceedures are delayed and costly and Karnataka's requirements must secure a high place.

A revision of priorities in the matter of new lines has thus become inevitable and it may often be hard to decide whether administrative needs should not have the first preference in certain cases. The existing lists of approved schemes may be no guide to planning in this matter. Half the length of the lines in the schemes on hand with the Railway Board were in Orissa and much of them would still be needed because of the development projects under the Plan; and those in Assam and Rajasthan would be equally hard to cut. If to these are added the irreducible minimum of lines needed in West Bengal, Madhya Pradesh and Karnataka, as shown by the S.R.C. Report, it may prove difficult to plan for anything less than 2,000 miles of new lines. They will all be in the essential category, leaving out only the less certain projects justified on the basis of export promotion or of existing underdevelopment. This indeed is a case for further strengthening the Railway Plan which has provided the severest test yet of our capacity to reconcile scarce means and highly essential needs. It is questionable whether individual industrial or other schemes which are attractive in themselves but incapable of producing the total effect of these new lines, should be allowed to cut into the Railway Plan.

In the Valley of Decision

FIGURES IN A FLUX

YOU never can cross the same stream twice, said a Greek philosopher to illustrate the forces of continuous change in the universe. So may it be said, in relation to the present stage of our planning, that you do not hear the same figures mentioned twice. The Finance Minister has, within the last fortnight, changed the estimates of the total size of the Plan in the public sector, on the one hand, and of the shortfall in revenue through prohibition, on the other. Expenditure in the public sector is now expected to be more than the figure indicated earlier of Rs. 4,800 crores while the loss in revenue through prohibition is estimated to be Rs. 200 crores, instead of Rs. 125 crores stated earlier. The resources gap has thus been widened at both ends. Like the ordinary householder who finds that just when he feels he has succeeded in making both ends meet some external force overnight moves apart the two ends, the Finance Minister has to give fresh thought to how he would find the further additional resources.

Our first impulse would be to demand why plans for the sacrifice of revenues should have priority at this stage when the means of increasing them are so scarce. Even that, however, becomes a relatively minor matter by the side of the other issues involved. A larger dose of deficit financing, that would, on the one hand, avoid the more acute problems of taxation and help, on the other, a bolder demand for loans from the market (as during the war) has been often advocated. The success of such financing would depend largely on the steps taken to ensure the flow of a widening stream of consumer goods. In this respect, most of the plans are bound up with the misty idealism associated with the village and small-scale industries. The low additional production quota of 500 million yards given to cloth mills shows that cloth at least might become scarce if the present rate of demand continues. It would also limit the fullest benefit being derived from cloth excise, which the Finance Minister regarded as a substitute for salt excise. The Karve Report is only a feeble contribution to the problem of discovering and organising the worth while type of small-scale and cottage industries.

If it is assumed, however, that the possible shortfall in implementation of the Plan would make it unnecessary for us to face the problem of actually finding the resources down to the last rupee, some very risky possibilities occur. If the heavy industrial projects mature without coal production in the public sector coming up to our present expectations what will happen? Or what would be the use of coal anyway if the railways do not find the resources or are otherwise deficient in achieving the additional transport capacity they are now planning for? Can the steady rise in the floor of Indian agricultural production be maintained unless the fertiliser projects materialise in the quickest possible time to provide more food grains and cotton?

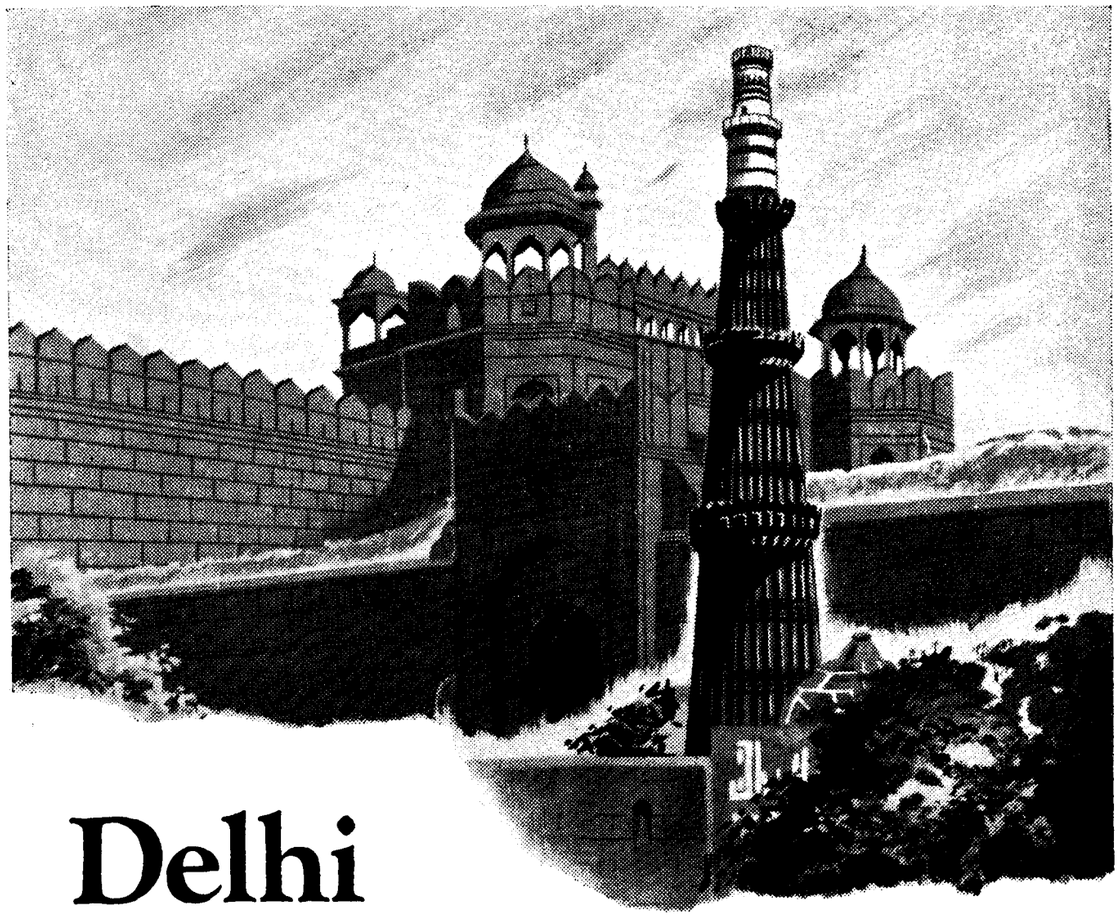
It may be that the different parts of the plans of State Governments are not so closely interlinked as to suffer by shortfall, but it is unlikely that the States, as now reorganised, would show much difficulty in using up the resources made available to them under the Plan. But the various sections of the Central portion of the Plan closely hang together, with the result that there might be serious imbalance if there is a shortfall in implementation in some sectors. This is not merely because the public sector has taken on more responsibilities, like the provision of more coal and steel, but mainly because of its existing obligation to provide all the transport for the growth of all aspects of the economy. There have been vague indications to the effect that only about Rs. 250 crores to Rs. 300 crores will be available to the railways from the additional outlay proposed in the public sector. This may make the transport plan the greatest challenge of all.

Already the railways have prepared blueprints which emphasise only the needs of the basic industries like coal, steel and cement, in all of which the estimates of demand for carrying capacity may be taken as quite firm and unlikely to suffer diminution. In coal, the railways have all along lagged behind demand in providing transport and this situation may continue throughout the period of the second Five-Year Plan, even when the proposed lineworks are completed and the new wagons and locomotives are found. The Railway Board has made only a meagre provision for the growth in general goods traffic of only five per cent and of passenger traffic of about three per cent per annum. This new demand in volume and in terms of ton-miles or passenger-miles may be considerably larger. One finds that even in the highest quarters there is loose talk of transport rationing as if the existing haphazard rationing caused by the inability of the railways to carry all the traffic that is being offered is not enough.

Such talk has far-reaching consequences to the plans in the rest of the economy, which are hardly realised. For example, it has been perfectly clear that decontrol of food movements has stabilised food prices much more effectively than any large-scale schemes of price-support could have done, even if they had been workable. Wagon space would continue to be needed on a growing scale in the next few years for free food movements from areas of abundance to those of relative scarcity both to control inflationary forces and to regulate prices. Any proposal to revive controls, zonal or State-wise, would only revive many of the earlier problems. Secondly, the transport demands for marketing the products of the small-scale industries have not been adequately assessed, apparently because of the wholly unjustified assumption that most of the markets will be local and can be served by road transport. Finally, there is quite an ambitious programme laid down for the private sector. The targets fixed for these industries should not be based merely on enthusiasm. If there is going to be talk about rationing transport, with the public sector always taking priority for its needs, can private industry be sure that its operations will not be hampered by restrictions either on the transport of raw materials or of finished goods? The only way of getting out of this difficulty would be to assess these factors with some rough accuracy even at this stage.

Attempts to do so have begun and some targets, like those regarding the paper industry have been pruned in the light of these considerations. Even so, it is clear that the railways will have to step up their capacity to absorb general goods traffic at a faster rate than they have so far assumed. All of which goes to show that it would be impossible to assume possible shortfalls in the plans on coal or railways, without upsetting the general structure of the Plan.

LEO.

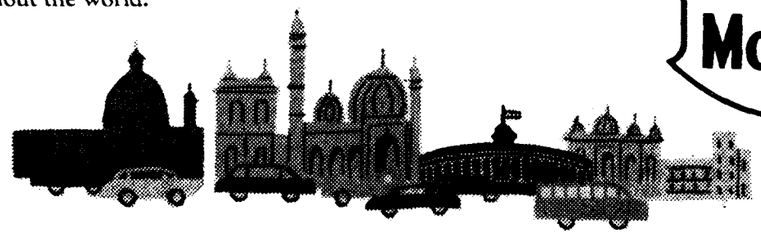


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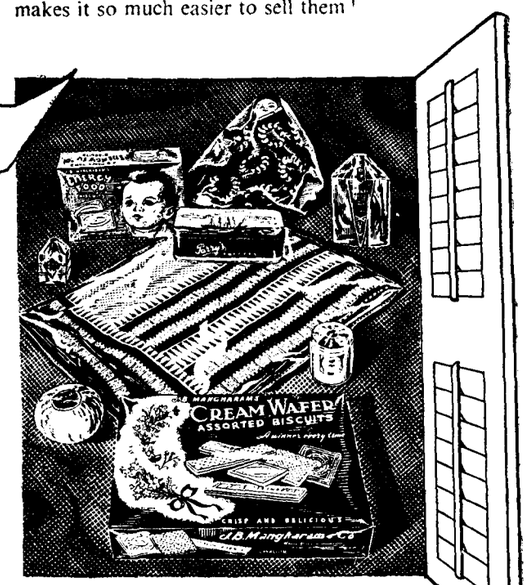
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THE WEEK'S NOTES

THE PLAN FOR COMMUNICATIONS

THE SCHEMES for the development of communications under the second Five-Year Plan, which Mr. Jagjivan Ram disclosed last week, appear by all standards to be quite modest. The total outlay involves about Rs. 143 crores, though the Planning Commission has for the present allocated only about Rs. 125 crores, the balance being assured if there is evidence of capacity to implement. This would be just double the expected total expenditure of about Rs. 72 crores under the first Five-Year Plan, which was not, indeed, characterised by speedy execution of the major projects. The proposed outlay under the second Five-Year Plan will thus be a lower proportion of the total outlay in the public sector, just when the investment on railways will increase to about 25 per cent of the total. The major share of the outlay on communications will be claimed by the two airline corporations, Indian and International (Rs. 39 crores, including compensation of Rs. 5 crores and miscellaneous expenditure) and the telephone system (Rs. 40 crores on local and Rs. 15 crores on trunk, systems). Civil aviation is an allied but different item involving the development of airfields and landing facilities at a cost of about Rs. 18 crores. The balance is to be apportioned among the postal, telegraph, overseas communications and the rest.

In physical terms, it is proposed to double the number of telephones to reach a total of half a million by 1961. There are still about 120 sub-divisional headquarters and about 8 or 9 district headquarters unconnected by telephones and it is proposed to provide facilities in about 1,200 small centres of administrative or trading importance, though most of these will work at a loss in the initial period. The new telephone connections at the rate of about 50,000 a year would by no means see the end of the problem since new demands would arise because of development. The plan for 960 new channels proposed for trunk lines would go a long way towards relieving the existing delays on certain lines.

It is difficult to resist the impression that the Plan, in concentrating attention on the more spectacular aspects of air communications and telephones, does not go far enough in opening up the backward areas to ordinary postal and telegraph facilities. Nearly 2,000 new telegraph offices have been proposed in new areas but in the matter of post offices, the target has been stepped up from 18,000 in the first Plan to only 20,000 in the second. Hence the communications plan fails to rise above its departmental outlook, for more post offices can in a real sense diffuse new knowledge in the closed areas and help circulation of newspapers and journals in Indian languages. No considerable addition to total outlay would be needed on that account; such a plan has to be conceived with vision of wider purposes and organised with drive.

PACE OF INDIANISATION

THE FIGURES of employment of Indians in foreign controlled companies now released show that while the number of foreign personnel employed today (7526) remains as large as in 1947 (7623) almost all the new employment created in these companies of about 15,000 has gone to Indians. These numbers relate to the pay groups above Rs. 300 per month; in the pay groups above Rs. 1000, Indians hold about 35.5 of the technical and 38 per cent of the non-technical posts, showing 5 per cent increase in both cases over the previous year. The proportion of Indians in higher categories is not known but is obviously much less. In plantation, jute, banking and transport companies and agency houses, more than two-thirds in the category above Rs. 1000 are foreigners and in nine other groups of companies they are above 50 per cent.

If the Government considers this position to be satisfactory enough to make any special action unnecessary the reason lies largely in the difficulties of laying down hard and fast rules about employment of Indians consistently with maintaining the freedom of operations which has been assured to foreign enterprise. Indianisation in the lower categories means nothing because it was inevitable and in the higher categories the level of taxation has been a restricting factor. It is more economical to employ Indians and if economy has not always appealed to the employers it is because of special considerations. In any case, any steps if taken to legislate on the subject might have given more reasons for foreign business to feel insecure. They have already enough grievances over the company law, taxation, and other kinds of political pressures that it was unnecessary and unwise to have added more at a stage when private foreign capital and participation are regarded as not unimportant for the Plan.

THE BHAKRA DAM

THE PRIME MINISTER laid this week the foundation of the concrete work of the main Bhakra Dam, a massive pyramidal concrete wall that will rise 680 feet from the base with a maximum thickness of 617 feet, and a minimum of 30 feet at the top. This marks the beginning of the final stage of the 170-crore-rupee project which is one of the biggest of its kind in the world. The first stage of the project was completed last year with the opening of the Nangal Dam and the power section, and work is expected to continue round-the-clock for over three years to complete the project in 1959-60 as scheduled. The dam is expected to generate 4 lakh k.w. of electricity and irrigate about 10 million acres of land mainly in the present States of Punjab, PEPSU and Rajasthan. Understandably, these States could not undertake such a huge project which has, therefore, been financed by loans advanced by the Centre to the States, repayable in instalments when the undertaking starts yielding revenue.

There is matter for much legitimate pride in having embarked on and successfully put into commission a part of such a gigantic engineering feat. However, the manner of keeping accounts of the huge outlay has caused some anxiety of late and there have been complaints about "gross irregularities involving large sums", as the Punjab Accounts Committee has said in its report. Since then, suspicion has been increasing and now it is feared that as much as 10 per cent of the Rs. 100 crores already spent on the project might have been misappropriated. Whether the figure is correct or otherwise can only be determined by the 'high-power' Committee proposed to be set up by the Punjab Government to scrutinise the accounts and investigate the charges of corruption. Though the Committee will be composed of engineers drawn from different States, headed by a person of the status of a High Court judge, there has been a wide demand for a different composition because of the feeling that engineers who are necessary to help on the technical side may not be fully ready to take an objective view of the accounting. It may be recalled that an Engineers Seminar last year found a naive explanation of the scope for corruption among engineers and it is necessary that irregularities should not be merely explained

away. More important are the rules for future guidance in which persons other than engineers can help by suggesting better accounting methods and checks.

LIGHT ON THE DARK CONTINENT

THE REV. MICHAEL SCOTT'S evidence last Monday before the U.N. Trusteeship Committee was one more attempt by this sincere and fearless champion of the cause of the Herero tribe to place before the Committee the facts of the situation in the former mandated territory of South-West Africa. The problem of this territory has been discussed ad nauseum since it was first raised in the General Assembly in 1946, but it has defied a solution because of the truculent attitude of the Union Government of South Africa, the administering power under the international mandate it assumed on December 17, 1920. The Union Government has consistently refused to submit annual reports regarding the administration of South-West Africa because it questions the jurisdiction of the U.N. over this area.

As far back as 1950 a distinctive type of U.N. mandate was offered to the Union Government under which the Union was given legislative and administrative powers over South-West Africa as also the right to establish military bases but even this failed to satisfy. In July 1950, the International Court held that the territory remained under the international mandate and the provisions of Chapter 12 of the U.N. Charter, providing means whereby a territory may be brought under the trusteeship system, were applicable to this territory. The Union Government has been willing to place it under a special trusteeship responsible only to the Big Western Powers outside the U.N. This is an absurd position and if the Union accepts international accountability in principle, it cannot escape the jurisdiction of the only international body in existence today. The Union cannot choose to whom it should be accountable. Meanwhile the condition of the people has deteriorated and according to the Rev. Michael Scott, they are being "sweated" mercilessly.

There is no short-cut to this problem. There has been adequate and systematic exposure of South African policies and methods in respect of this territory and that in itself is a great gain. At least happenings in the Dark Continent are no longer in the dark. The great respect and patient attention accorded to the Rev. Michael Scott is itself a tribute to the world-wide interest in the exposure of the denial of even elementand human rights.

A 'DRINK TEA' DRIVE

IS INDIA insidiously extending its policy of prohibition to countries abroad? This is the question prompted by the report of the Tea Council of Canada which has claimed modest successes for its publicity slogan "If you drive, drink tea". The emphasis in Canada on sober and safe driving during Christmas holidays gave this opportunity to the Tea Council and earned for it even official approval because the Council became a powerful ally in the drive to eliminate traffic hazards. This is an example of an imaginative piece of publicity which deserves to be commended even if it stood alone. But the Tea Council claims to have enlisted the co-operation of the press and grocery chain stores in a "Tea for Canada Week" which has built good public relations and promises a bright future.

The Canadian Tea Council, which has just completed a year of its operation, was jointly sponsored by the Governments of India and Ceylon, the two main tea exporting countries, and by Canadian tea interests, to promote the consumption of tea in the widespread Canadian market. Though tea imports into Canada have risen in volume over the past years, as a result of the rapid growth of population, imports on a per capita basis have shrunk to about half of what they were in the period 1909-13. Notwithstanding that nearly 60 per cent of Canadian families drink tea, and 95 per cent people keep tea in their homes, the declining trend in the per capita consumption continues. This stems from the increasing popularity of coffee and other soft drinks in restaurants and cafeterias in urban areas. On the basis of the population figures for 1971, estimated by the Dominion Bureau of Statistics, it would take over 30 million pounds of tea imports more to restore the pre-war per capita consumption of tea.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

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A Window on the World

THE CONDITIONS OF "WELFARE" SUCCESS

By

ODYSSEUS

WHEN THE PEOPLE of a country have been profoundly interested or moved by some public event, their reactions may throw light on the prevailing fashion of thought (which is all that the ugly word "ideology" means).

Every man, woman, and teen-ager of either sex, in Britain has in these recent days been reacting passionately either to Mr. R. A. Butler's autumn budget or to Princess Margaret's decision not to marry the divorced Group Captain Peter Townsend, or to both. To me, the interest of these topics is that between them they cover some of the most important, material and moral aspects of contemporary British life.

Materially, Mr. Butler's budget reflects some of the difficulties that a Welfare state has in setting its house in viable order. It is important that we should study its lessons, since in social experiments, we seem to be tagging along some five or ten years behind Britain.

The first point to clarify is that Welfarism and Socialism are not, as many appear to think, interchangeable terms. Whereas Welfarism seeks to equalise opportunity for all by re-distributing through taxation a proportion of the national income in universal education, in all inclusive health services from pre-natal care to post-mortem burial, and in universal old age pensions, it does not seek, as does Socialism, to nationalise, organise, plan, or otherwise direct the means of production and distribution. Welfare principles can be adopted by the most conservative party of any state.

The British Socialists (like their counterparts elsewhere) have confused public opinion by nationalising various industries, e.g., coal, introducing sheaves of licences, quotas, subsidies, export and import and other controls whose ultimate object was to achieve a planned Socialist economy, linking all this to the social services of a Welfare state, and calling the whole amalgam "Socialism".

WHAT IS A "DISTORTED" ECONOMY?

The first five post-war years saw the British economy being more and more distorted by controls, for what controllers seem incapable of grasping is that if you sell a commodity at a controlled price (which inevitably involves rationing, for otherwise the whole supply would be mopped up by those who could get to the shops first), to the extent that the price is below the price that would be established by the free play of supply and demand, to that extent is unspent money left in the hands of consumers. Now, periods of rationing are normally periods of inflation, so that there is no inducement to save, and every inducement to spend money before prices rise again. So that money set free by controlled prices is spent as quickly as possible on unrationed goods or services, thus creating artificial demands for them, attracting labour away from the rationed industries into the un-rationed, creating shortages of personnel and raw materials and bottlenecks in production, and above all worsening inflation. It is the whole of this process that economists describe by the now familiar and rarely defined phrase "distorting the economy".

The end of the war automatically released Britain from a number of distortions by returning men and women from the armed forces into productive work, and by converting factories from war to peace goods, so that production gradually re-established itself and rose over a slowly widening field. But, under Labour rule, Britain continued to experience bottlenecks, inflation, and recurrent balance of trade and sterling crises because, bound by their Socialist principles, the Labour governments were unable to remove the mass of controls, heritage of the war, which strangled productive initiative and distorted the economy.

The Conservatives it was, who in 1951, first began the task of reducing controls and abolishing rationing. Food and money were artificially too cheap. Both were allowed to become dearer. The channels thus unblocked rendered possible the progressive liberalisation of imports and the freeing of raw materials markets which led to the amazing increases in British production since 1952.

But the boom thus let loose was not accompanied by contraction in the vast amount being spent by the government, and by other public authorities, on housing and on agricultural subsidies, and although over-all production rose, the productivity of labour in many key industries (notably nationalised railway transport and coal) did not. The result was that in the course of the past few weeks, Mr. Butler was led to realise that Britain's healthy post-1952 boom threatened to develop into serious inflation, which would inevitably end in another balance of payments crisis. For inflation, by disproportionately filling the pockets of the people with money enables them (1) to afford a large number of goods which should be exported to pay for their import requirements and this decreases exports, (2) to buy an increasing number of imports which seem cheap by comparison with home prices, and (3) further to decrease exports by making the inflationary country's exports more expensive to foreign buyers and therefore less competitive on the world's markets. I stress these elementary explanations because this column is not written for professors of economics but for average business and professional men whom everyone always assumes to understand the economists' jargon—"distortions", "imbalances" etc.—but who rarely have the leisure to look up the text books.

What can be said in favour of Mr. Butler's budget is that he has intervened to straighten out the economy before crisis overtakes Britain. By insisting that municipalities must try to borrow on the market before turning to government for money to build more houses, he has taken one important step in the right direction. But he has been afraid to touch the subsidies to farmers, and he has taken a big step backward by imposing new taxes on a wide range of goods.

HIGH TAXES PROMOTE INFLATION

That higher taxes mop up inflationary surpluses is a fallacy.

Higher taxes attack the symptom and not the cause. As long as national production is insufficient and state expenditure continues to pour excessive spending power into the economy, inflation will go on. Higher sales taxes merely incite the workers to demand higher wages which starts a vicious inflationary circle.

The solution to Britain's problem is a severe reduction—not a mere halt in the advance—of state expenditure coupled with strong incentives to greater productivity and to saving. Reduction of taxation without these incentives would, of course, merely release further inflation. Mr. Butler has not had the courage to wipe out subsidies and to couple this with, for example, the issue of short-term savings certificates with an attractive rate of capital appreciation.

I have stated the solution in its crudest terms for lack of space. Obviously elaboration and qualifications are required, and one would need, e.g., to go on to discuss the role to be played by the rate of interest and the credit squeeze, and various possible direct encouragements to workers to work over-time, to uneconomic industries to contract, and for industries on the upswing to intensify their efforts. But all that I am trying to do is to establish the principle that is at stake. National prosperity and successful Welfarism—in any country—can only be based on economic expansion, never, as Socialists seem to think, on restrictions and control. These not only produce nothing but they positively hinder production. Mr. Butler must be credited with having gone half way to solving Britain's problems; he cannot, however, escape blame for lacking courage to strike at the roots of inflation. He has secured Britain a breathing space, but the future of the Welfare state remains an open question.

ROYAL WELFARE

I turn to Princess Margaret's renunciation of love for duty. British public opinion is divided over her decision. She has reintroduced the respect and affection for the royal family in that not inconsiderable minority which, especially in the dominions, expects royalty to maintain an ideal religious standard of personal conduct. On the other hand, her decision has aroused, for the first time in living memory, public criticism of the monarch from representatives of the majority which sees no harm in the re-marriage of divorced persons. If, however, there is no doubt that the majority would have welcomed the marriage as a popular "love-match", it is likely that they will expect rather more exemplary conduct from royalty than they are ready to tolerate in their own private lives.

But since it is an historic fact that conceptions of the ideal change in the course of the decades, it follows that whether the monarchy wishes to satisfy minority or majority opinion (as defined above), the true question before it is: At what pace should it adjust itself to changing contemporary ideals of conduct? It will attract equal criticism if it lags behind ("what mediaeval superstition!") or if it goes too far ahead ("Such outrageous behaviour!").

I hazard the prophecy that the criticisms recently heard may lead to the eventual severance of the Church of England from the state. Judging by its numbers, the Church is today the organ of a minority in Britain, although in the Commonwealth the minority is somewhat larger. If the monarch ceased to be the titular head of the Church, his (or her) observance of Church rules would cease to be a matter of such national moment.

SHREE KRISHNA GYANODAY SUGAR LIMITED

NOTICE is hereby given that an Extraordinary General Meeting of the Shareholders of the Company will be held on Wednesday the 30th November, 1955, at 11 A.M. at the Registered Office of the Company at Dalmianagar for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as Ordinary Resolutions:—

RESOLVED that the Issued Capital of the Company be increased from Rs. 38 lakhs to Rs. 58 lakhs by issuing 2,00,000 Ordinary Shares of Rs. 10|- each on the following terms and conditions and subject to the following rights and in the manner hereinafter appearing:—

(a) Such shares be offered at par to the holders of existing 2,00,000 Ordinary Shares on the Register of Members of the Company on the 30th day of November, 1955, (with the right to such holders to renounce in favour of his nominee or nominees approved by the Board) in the ratio of one new Ordinary Share for one existing Ordinary Share held by such holders respectively (with option to such holders to apply for additional new Ordinary Shares, the allotment of which shall be in the absolute discretion of the Directors) and such offer shall be by notice specifying the number of shares to which the holder of the existing Ordinary Shares shall be entitled to and limiting the time within which the offer, if not accepted, shall be deemed to be declined with liberty to the Directors, from time to time to extend the time for accepatnce of the offer as aforesaid either generally or in respect of any particular holder or holders.

(b) The amount of Rs. 10|- per share shall at the option of the applicant, be payable to the Company, either with the application, or Rs. 2|8|- per share with the application, and the balance in three instalments of Rs. 2|8|- each, at intervals of one month each with interest at the rate of 6 per cent per annum on the amount for the time being outstanding from the date of the application until payment. All payments are to be made at the Registered Office of the Company during office hours.
The Shares shall be treated as paid up to the extent the amounts are paid. In case of non-payment of any of the instalments, it will be treated as non-payment of call.

(c) The said new Ordinary Shares shall for all purposes rank pari passu with the existing Ordinary Shares of the Company save and except that the new Ordniary Shares shall not confer on the holders thereof the right to any dividend on Ordinary Shares declared in respect of the accounting year of the Company ending on 31st July, 1955, but shall entitle such holders to all dividends on Ordinary Shares declared for future accounting years of the Company in proportion to the capital for the time being paid up on such shares.

(d) The Directors be and are hereby authorised and empowered to allot the said shares accordingly, and to dispose of and allot any of the said new shares not taken up by holders of the existing Ordinary Shares or remaining undisposed of to such persons whether shareholders of the Company or not, and upon such terms and conditions and in such manner as the Directors may think fit.

(e) For the purpose of giving effect to this Resolution, the Directors be and are hereby authorised to prescribe the forms of application and renunciation and other documents in respect of such new Ordinary Shares and to give such other directions or do such other act as they think fit including settling any question or difficulty that may arise in regard to the issue and allotment of the new Ordinary Shares.

The Share Transfer Books of the Company will be closed from 24th November, 1955 to 30th November, 1955, both days inclusive.

By Order of the Board
SAHU JAIN LTD.
Managing Agents.

DALMIANAGAR,
9th November, 1955.

A DELHI DIARY

A RED LETTER DAY

TODAY, Friday November 18, is a red letter day in Delhi in more ways than one. Firstly, of course, red flags are very prominent in the city; USSR flags in many thousands have come with the arrival of the Russian Prime Minister, Nikolai Bulganin, and Nikita Khruschev, the Secretary-General of the Communist Party in the USSR. There are other red flags with possibly less justification. But it is a red letter day for me for a quite different personal reason. At long last, we have been able to persuade our obdurate printer—of whom I complained last week—to accept my 'copy' on a Friday. It is strange how the arrival of our Russian dignitaries has subdued the most obdurate of hearts. When we suggested to our printer that our readers would expect at least some report of the great arrival, all his (indefensible) arguments about a deadline seemed to melt into thin air. I, therefore, pay this special tribute to Mr. Bulganin. He has produced a thaw not merely in Geneva but—what looked much more difficult to me—he has produced a thaw between our printer and myself. Long may the Geneva spirit continue to thrive in the neutral atmosphere of another great city!

It is right that, before I get to the airport, I should put down my impressions of the look of this Capital City on this Friday morning. I should add more than the 'look'; I have heard the honking of horns and an infernal din—loud music, massed bands and various indescribable noises—since the hour of six in the morning. There is no doubt, too, that Delhi today wears a complexion of gaiety which is quite unequalled in living memory. The buntings and flags along the main procession route have been lavish in the extreme. I cannot discover from what hidden hordes all these have come or indeed who made the vast number of national flags, both Indian and USSR, which can be seen from every major building. If these really have been supplied by the Indian textile mill industry, I prophesy a serious cloth famine after December, unless in a fit of convenient patriotism we start clothing ourselves in national flags which have done their patriotic duty!

THE BATON AND THE KNAPSACK

I have never been good at counting beyond a thousand. I have, therefore, called in the popular and respectable technique of sampling which (close to our door) is being applied by the Indian Institute of Public Opinion while far away in Calcutta it is employed in the grand manner by Professor P. C. Mahalanobis of Plan-frame fame. Having counted a thousand people just outside 'The Eastern Economist' Office I conclude—by the fashionable process of ballooning my sample—that there must be a million people on the roads at the time of the great arrival. I cannot say from where these people have come but it looks to me as if they are the usual residents of Delhi, that is to say, public servants of various descriptions and tradesmen living on what is described generically as government expenditure. Can it be that the enthusiasm displayed is not unconnected with the callings of those looking on? I have seen two pleading letters from clerks pointing out that with no full holiday today, it is extremely difficult for them to collect their families to give Mr. Bulganin the "right royal" welcome that the Government expects him to have on this occasion. Can it be that both these clerks know that Nikolai Bulganin was the son of a clerk, and that their enthusiasm is generated by that knowledge? Napoleon used to say that every soldier had a Marshal's baton in his knapsack. It may now be that every clerk in Delhi, as well as elsewhere, has a Prime Minister's insignia in his shopping bag. I would dearly like that to be true though (alas) I feel the word 'every' is apt to be misleading. I might also—not that this is entirely relevant—say that it is a little strange in Republican India to hear our clerks talking about "right royal" receptions.

RED-TAPE ON RED LETTER DAYS!

Let me now, following the grand procession route, approach the airport with the appropriate air of expectancy. Palam has never looked like this before. Applying my sampling technique again to the people around the gates I would have said there are a hundred thousand people. Seeing that we (distinguished?) pressmen had each to get a card of his own to enter the sacred precincts, I wonder how much office work has gone into the control of the thousand people with cards of entry. How much more (intangible) office work has gone into the control of crowds without. Alas! my respectable sampling technique breaks down in this particular case. I am unable to estimate the volume of bureaucracy which corresponds appropriately to an official reception of this kind. All I can say is that the figure is very large, and growing greatly with time!

Am I imagining or was there an element of seriousness at Palam? The crowds cheered and waved flags—one even heard a reference in an endearing way to "Pandit Bulganin"—but there seemed to be no wildness in the enthusiasm displayed. Only numbers showed strength. According to the accounts of Indian pressmen who went with Mr. Nehru to Russia, Delhi turned out at distant Palam about four times the number that Moscow with its larger population and more centrally located airport could muster. Since India happens to be the first democracy which the Russian leaders are visiting on a goodwill mission, they had their first good glimpse of what a spontaneous popular welcome in the non-Communist world could be like.

There was a quiet expectancy between the time the Russian plane carrying the leaders was sighted above the airport escorted by Indian fighters and its landing ten minutes later, precisely at 2-30 p.m. There were slightly formal exchanges when Mr. Bulganin and Mr. Khruschev stepped out of the plane and later when Mr. Bulganin spoke with an impressive eloquence about Indo-Russian friendship and understanding.

Protocol seemed, however, to be significantly relaxed. Mr. Khruschev joined Mr. Bulganin in the guard of honour. There were some puzzled enquiries about his official status but doubts were set at rest by the External Affairs Ministry's decision to refer to the two leaders as "Their Excellencies" irrespective of their differing positions. But no relaxations of Protocol breathed anything like the air of informality which came from the Marshal's lounge suit. It was an attractive light blue, not perhaps the colour most suitable to the Prime Minister of the USSR. But then, of course, the Thaw is on—sartorially as well as otherwise!

ARGUS.

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WORLDGRAM

AGRICULTURE

Planes to Help Agriculture: Aircraft have become so important to agriculture in the countries where farms cover huge areas that two British companies have decided to build planes specially for such work. Those used in the past on jobs like crop spraying have been modifications of standard types. Export orders worth many millions of pounds are expected to come from the U.S.A., new Zealand and Canada.

*

New Variety of Wheat Evolved in Punjab: A new variety of wheat, known as C 281, has been evolved and released for distribution by the Department of Agriculture, Punjab, for the south-eastern districts of the State. The variety matures about two weeks earlier than C 591 and its grains are not liable to shrivelling even if hot weather sets in earlier than usual. C 281 has been extensively tested against C 591, both in departmental farms and cultivators' fields, and has been found to give, on the average, about two maunds more yield per acre than the latter. It possesses bold, amber and attractive grains with good chapati-making qualities.

*

U.S. Cotton Crop Estimate Up: The U.S. 1955 cotton crop is estimated by the Journal of Commerce at 14,980,000 bales, with the yield per acre put at 435 lbs. The latest Department of Agriculture forecast put the crop at 13,928,000 bales

*

Irrigation Project for Pakistan: The Pakistan Government has sanctioned a six-year project costing Rs. 1,70,000,000 to meet the over all shortage of water for irrigation purposes. The dam, made of earthen work, when completed, with capacity of 30,00,000 acre feet, will supply water to Lahore and Multan Divisions.

INDUSTRY

Two New Plants for the Manufacture of Fertilisers: Two new plants for the manufacture of fertilisers are to be built at an estimated cost of £11 million in the Thames Estuary as the result of an agreement reached between the Shell Chemical Company and Fisons.

*

Record Production of Vehicles in U.K. Likely: British production of commercial and passenger-carrying vehicles by the end of this year is expected to reach a record figure of about 310,000 units, compared with 270,000 last year.

*

Industrial Research in W. Germany: West Germany is now spending over DM 1,200 million (equivalent to more than £100 million) a year on non-military scientific research technology and industrial development. About half this sum is being used directly for industrial research.

*

Specification for Indian Standard Sand: An Indian standard specification for Indian standard sand for testing of cement has just been issued by the Indian Standards Institution. The specification lays down physical and chemical requirements for the standard sand and stipulates a certificate of conformity to the standard from the Concrete Research Laboratory, Chepauk, Madras, which also supplies standard sand to those who require it.

*

Government Plans Four Modern Ships a Year: The Government of India has in hand a plan to raise the capacity of the shipyard at Visakhapatnam to build four ships of the modern type per year. The Government has already placed at the disposal of the shipyard a sum of Rs. 110 lakhs out of a total of Rs. 196 lakhs required for the implementation of this plan. The entire programme is expected to be completed by the end of 1956.

*

Increased Industrial Production in Japan: According to the index of the Ministry of International Trade and Industry, industrial production in Japan for the first half of fiscal 1955 (April to September) was 8.6 per cent higher than the 1954 average and the post-war highest as a half-yearly average at 200.9 (1950=100). This is to be ascribed to favourable exports and increased consumption at home.

TRADE

Export of Cotton Piecegoods: The Government of India has decided to extend the free licensing of all permissible varieties of cotton piecegoods and cotton manufactures including cotton waste blankets for shipment up to the end of June 1956. This includes both mill and powerloom manufactures. The licensing procedure and other conditions would remain unchanged.

*

Yugoslavia's Deal With Burma: The Government-sponsored Cooperative Wholesale Society and Civil Supplies Management Board of Burma will buy 1,300,000 yards of textiles from the Yugoslav textile imports and exports enterprise of Zagreb. In return the Yugoslav concern will buy 1,000 tons of raw cotton from Burma. The value of the deal is estimated as equivalent to £375,000 sterling.

*

Irish Exports to Holland: Two members of the Irish Export Production have recently been having talks in Holland with Dutch manufacturers on increasing Irish exports to the Netherlands. Holland is at present Eire's second largest supplier after Germany, with exports worth £5.5 million last year, and the fourth largest importer of Irish goods worth £680,000 in the same period. Exports Eire hopes to increase include linen, textiles, hides, glasswork, cotton and salmon.

*

Increased Canadian Deliveries: Canadian manufacturers' deliveries in the first half of this year had an aggregate value of $9,541.1 million, an increase of 9 per cent over the preceding year's $8,752.4 million.

Holland's Dairy Produce Exports: The Netherlends in 1954 was the largest exporter of dairy produce of the world. The Netherlands exports of dairy produce in 1954 totalled 389,000 tons, as compared with 378,000 tons in 1953. New Zealand occupied the second place with 275,000 tons, Denmark following with 242,000 tons.

*

Trade Agreement Between Holland and Switzerland: The Netherlands and Switzerland have concluded a trade agreement at The Hague for the period October 1, 1955, to September 30, 1956. The principal products imported by the Netherlands from Switzerland include machinery and apparatus, time-pieces, textiles, chemicals and pharmaceutical products, paints and siccatives, scientific and precision instruments and apparatus, aluminium and aluminium semi-manufactures. The Netherlands exports to Switzerland mainly comprise coal, iron, petroleum products, textiles, machinery and precision instruments, electrical products, paper and cardboard, cotton yarn and dairy produce.

*

Persia's Oil Receipts: Persia received over £26.7 million from the operation of its oil industry in the southern province of Khuzistan in the first 11 months of the agreement between the Persian Government, the National Iranian Oil Company and the International Oil Consortium, which came into effect a year ago.

*

Coast Tramp Freights: Coasting tramp freight rates have been increased by about 5 per cent from November 1. The increase, announced recently by the U.K. Chamber of shipping, has been caused by rising ship operating costs. It is intended, however, that the new level of freight shall remain unchanged for twelve months.

*

Anglo-German Trade: Anglo-German trade has been expanding this year, but Britain's deficit has risen to about £1.1 million per month. British exports to Germany during the January-September period amounted to £55.13 million against £51.66 million during the comparable period of 1954. During the first nine months, however, British imports from Germany rose to £65.12 million against £57.71 million during the corresponding period of 1954. British exports rose by 6.7 per cent but imports by 13 per cent.

FINANCE

Canadian $500 Million Refinancing: The Finance Department has announced that arrangements have been made for the purchase at par by the Bank of Canada of $500 million worth of Government of Canada treasury notes. The issue, dated November 1, bears annual interest of 2¼ per cent and is due for redemption on May 1, 1956. The proceeds, together with cash, will be used to redeem treasury notes worth $576 million maturing November 1.

*

Holland's Position in the E.P.U.: In the first nine months of 1955 the Netherlands had a surplus of $38,257,000 in the exchange of payments with the member countries of the European Payments Union, against which $20,230,000 was received in gold or dollars, while the credit granted to the E.P.U. was raised by $18,027,000.

*

Cheaper Money in Japan: Money rates in Japan have declined sharply in recent months. Commercial banks can now go to the call market for money at 6.205 per cent per annum or even less, instead of borrowing from the Bank of Japan. Until June this year the call money rate was 3,760 per cent per annum because of the shortage of capital.

*

Ceylon's External Assets Rise: Ceylon's external assets at the end of September totalled Rs. 1,091.2 million—the highest level since the second quarter of 1952.

*

World Bank Earns More: The International Bank for Reconstruction and Development reports a net income of $6.2 million for the three months ended September 30, compared with $5.4 million for the corresponding period last year.

GENERAL

Increase in London Coal Prices: London house coal prices have gone up by 1s. 8d. from November 7, 1955. This was partly to defray the higher expenses generally incurred by merchants in running their trade, and to meet the new increased rates for coal delivery workers. A further 5d a ton will be added to the cost on December 1, when winter prices come into effect. These, however, are restricted to the winter months.

*

U.S. Ford Stock for Public: The heirs of Henry Ford have agreed to relinquish control of the 52-year old Ford Motor Company to permit stock to be offered to the public. Mr. Henry Ford and members of the Ford family will transfer 60 per cent of their voting rights to new common stock. The Ford Foundation plans to make a public offering of about 15 per cent of its holdings.

*

Specialised Training in Paper Technology: Courses to provide qualified technical personnel for the Indian paper industry have been recommended by the Syllabus Committee of the Union Ministry of Food and Agriculture. The Committee has suggested a post-graduate diploma course in pulp and paper technology for training high-level paper technicians, and another, a certificate course, for technical workers in the paper mills. Both the courses will be conducted by the Cellulose and Paper Branch of the Forest Research Institute, Dehra Dun, the first post-graduate diploma course commencing in August 1956, and the certificate course as soon as necessary hostel accommodation is constructed.

*

Higher Canadian Output Forecast: Government economists now estimate that Canada's gross national product will rise this year to a record $26,256 million. If this figure is reached, it will be $2,250 million higher than actual output in 1954. It is also believed that the momentum of Canada's economic expansion will be carried into 1956.

*

Japan Emigration Aid Co.: Emigration as one step in solving Japan's critical population problem will be given a new boost early next year with the establishment of a semi-governmental organisation to be called the Japan Emigration Aid Co., Ltd. The new company will be capitalised at 175 million yen with investments from both Government and civilian circles. The Japanese Government will co-operate in this project which will deal mainly with granting loans to emigrants for transportation purposes and for establishing themselves in the country accepting them.

NEWS IN BRIEF

INDIAN

Taccavi loans to the extent of Rs. 2,50,000 have so far been distributed to the flood-affected people in Delhi State.

*

The Government of India has sanctioned the construction of 9,834 residential quarters in New Delhi during the current financial year for all categories of staff.

*

Mr. Viswanatha More, President of the Gunny Trade Association recently urged the opening of the 12½ per cent looms sealed by the Indian Jute Mills Association in May 1949. This would result in an annual increase of approximately 125,000 tons of jute goods.

*

The Central Social Welfare Board is to set up urban family welfare projects, one in every State, during the first Plan period.

*

The Communications Ministry has prepared a Rs. 80-crore scheme for the expansion of postal and telecommunications facilities in the country, particularly in the rural areas, under the second Five-Year Plan.

*

More than 25,000 persons are faced with unemployment on account of acute pig iron shortage in Ludhiana, Punjab. The shortage has paralysed other industries to a considerable extent.

*

The National Co-operative Credit and Warehousing programme for Punjab provides for the establishment of a State Warehousing Company with an authorised share capital of Rs. 2 crores and paid-up capital of Rs. 40 lakhs.

*

The Government of India has decided to allow composite and spinning mills to export cotton yarn to the extent of 66-2/3 per cent of the cess of actual deliveries over the stipulated limits in respect of deliveries made during the last quarter of this year.

*

A 13-man Czech trade delegation, led by Mr. R. Dvorak, Minister for Foreign Trade, arrived in India recently to study the economic development of India and find out ways of promoting Indo-Czech economic relations.

*

The total outlay on the second Five-Year Plan for Travancore-Cochin, as finalised by the Planning Commission, would be Rs. 75,63,00,000.

*

The programmes, costing about Rs. 260 crores, recommended by the Karve Committee, are estimated to provide employment opportunities to about 4½ million persons.

*

Indian industry has made rapid progress since Independence. This is reflected in the upward trend of the general index of industrial production, which rose to 158 in the first six months of 1955 from 97.2 in 1947. Also, commodity prices have fallen, the price index having dropped from 399.6 at the beginning of 1954 to 358.6 at the end of August 1955.

*

A clarification issued by the Joint Chief Controller of Import and Exports says that the exclusion of 'Gram' from Open General Licences Nos. XL and XLI was intended to apply to Bengal gram only. Other pulses, e.g., black, red and green gram, etc., can still be imported under O.G.L. XL and XLI.

FOREIGN

Mr. K. J. Holyoake, New Zealand Deputy Prime Minister and Minister for Agriculture, has been elected conference chairman of eighth session of the 71-nation U.N. Food and Agriculture Organization which opened in Rome on November 4, 1955.

*

Mr. M. J. Coldwell, Leader of Canada's Co-operative Commonwealth Federation Party (Socialist) recently urged that Canada ship some of its surplus food, especially wheat, to South and South-East Asia.

*

A potato packaging conference at which potato shippers and a group of chain store buyers, potato receivers and bag manufacturers from the New York City marketing area discussed recent developments in burlap containers met in Presque Isle on November 9, 1956.

*

As orange exporter Brazil now holds fourth place after Spain, Palestine and South Africa.

*

N. V. Nederlandse Soda Industry (Netherlands) has concluded an agreement with the Diamond Alkali Company, Painsville, Ohio, U.S.A., to acquire the know-how required for designing the modern soda works.

*

A recently founded combine of four Netherlands shipbuilding yards, Rotterdam, has received an order for building two 32,500-ton tankers from Iran.

*

A firm in Holland has put on market a patented milking machine which operates under a high vacuum of 70 cm (28") Hg.

*

An orthopaedic concern in the Netherlands has devised a new method of taking footprints to replace the cumbersome conventional method of making plaster casts.

*

Some 500 delegates from most parts of the world attended the 10th world congress of the Junior Chamber International, the integrated world organisation of the Junior Chambers of Commerce, which opened in Edinburgh on November 5.

*

Mr. R. H. Turton, the U.K. Parliamentary Under-Secretary of State for Foreign Affairs, recently mentioned the artificial rouble rate as an obstacle to tourist visits to the Soviet Union.

*

At the end of last year, Britain's trade unions had 9,495,000 members, 36,000 more than the 1953 figure, but 31,000 below the 1952 level.

*

Brazil has informed the contracting parties to the GATT that its new ad valorem customs duties will not affect the volume of its foreign trade.

*

The Pakistan Government has decided to allow export of a maximum of 50,000 tons of Sind Joshi and Kangni rice from the 1955-56 crop.



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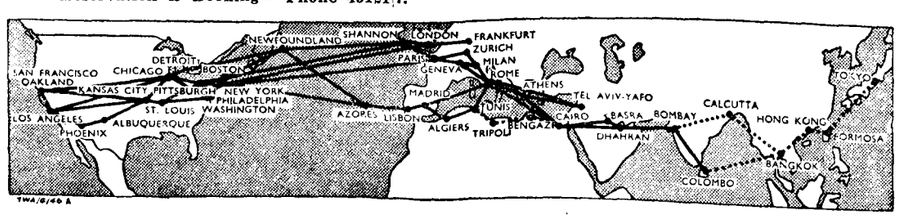
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Special Articles

SOME PROBLEMS OF THE COIR INDUSTRY

By R. KRISHNA AIYAR

THE production of coir is of very great importance in the economy of the West Coast, especially the State of Travancore-Cochin where the coconut palm grows in abundance and the husk of the coconut which forms the raw material is freely available. In addition to the availability of the raw material, the natural facilities for retting the husks as a process preparatory to extraction of fibre exist chiefly in the backwater areas of the Travancore-Cochin State. These account for the establishment and growth of this industry in the Malabar Coast. Although the total area under coconut in India is 1,548,000 acres, the Travancore-Cochin State accounts for only 661,442 acres and the Madras State—mostly Malabar—accounts for 637,314 acres. Eighty per cent of the coir is produced in the Travancore-Cochin State and the coir industry thus plays an important role in the economy of the Travancore-Cochin State.

From the burying of the coconut husk under water till the manufacture of coir floor coverings and rope, every process in the industry, as carried on at present in India, is manual. In the process of extraction of fibre and the spinning of coir yarn, it is reckoned that some 100,000 families, spread along the entire coast of the Travancore-Cochin State and some parts of Malabar, are employed. Essentially, therefore, the spinning of coir yarn is a cottage industry. The total production of coir yarn in the Travancore-Cochin State and Malabar amounts to approximately 120,000 tons valued at the present prices at approximately Rs. 9 crores. As a cottage industry, it affords employment to many people and enables a household to get opportunity for utilising the spare time of the housewives and even children. As an avocation or full-time work, the extraction of coir fibre or the spinning of coir yarn may not pay the workers decently. It is not to be forgotten that it is a cottage industry where most of the people are only supplementing the family earnings by employing their leisure hours for a productive purpose. That is the most important role which any cottage industry has to play. It does not mean that many people do not actually depend upon this industry as a source of subsistence, but what is desired to emphasize is that, with the present methods of production, the return from this industry to the worker cannot be satisfactory. In centres of production where small capitalists employ labour for the spinning of yarn, minimum wages have recently been introduced under the Minimum Wages Act in order that the labour that is hired may not be "sweated". It is doubtful whether the introduction of minimum wages is a solution. Production by manual labour is so slow and small that high labour costs cannot be sustained in the face of competition from cottage workers and eventually even where minimum wages succeed, the product will become costly with the natural consequences and difficulties in marketing. The introduction of the minimum wages in certain sectors has not so far had this effect, but it is stated that Minimum Wages regulations are not actually adhered to.

It is stated that India has practically a monopoly for coir. In many respects it is so. Travancore-Cochin is able to produce the best quality of fibre which is capable of being spun into coir yarn. Out of the 120,000 tons of coir produced in the Travancore-Cochin State and Malabar, only about 700 tons of coir fibre are exported out of India.

Possibly, some 400 tons of coir fibre are consumed within India in upholstery and other trades. But the rest of the coir fibre is spun into yarn. On the other hand, Ceylon produces and exports about 70,000 tons of coir. Out of this, about 15,000 tons are bristle fibre, 53,000 tons mattress fibre, and the balance of some 2,000 tons only is manufactured into coir yarn. Ceylon has an area of about 1,200,000 acres under coconut and has very great potentialities for the development of the coir industry. It is understood that the Ceylon Government are taking active measures for the development of the coir industry. Although, at the moment, Ceylon is not producing coir yarn to the extent comparable to India, the potentialities of development in Ceylon cannot be overlooked. The maximum quantity of coir yarn exported by Ceylon in a particular year has not exceeded 4,000 tons as against India's export of coir yarn as such amounting to approximately 50,000 tons. Ceylon is also not manufacturing coir yarn into coir mats and mattings as it is being done in India. The Malaya Peninsula, Indonesia and the Philippines are all cocnut growing countries and the possibilities of development of the industry in those areas are an important factor when estimating the so-called monopoly of India.

Coir is one of the hard fibres entering the world's markets. It has, therefore, naturally to compete with other hard fibres, more especially sisal. There are also other fibres which are put to similar uses as coir is and unless we have a full picture of the total "industrial fibres," it will not be possible to assess the strength of the competition which coir has to face amongst other "industrial fibres" of the world. The following statistics are collected from "Industrial Fibres, 1954" published by the Commonwealth Economic Committee.

Production of Industrial Fibres

(Other than apparel fibres)

	In 1952 (Tons)
Household Fibres:	
Wool (Carpet)	203,571
Flax	904,910
TOTAL	1,108,481
Sacking and Cordage Fibres:	
Hemp including Sisal, Manilla and Henequen	1,050,445
Jute	2,095,979
TOTAL	3,146,424
GRAND TOTAL	4,254,905

As against 4,254,905 tons of the fibres mentioned above, coir is only 120,000 tons. Even if we take sisal, manilla and henequin only, the total production of these three hard fibres in 1952 amounted to 586,000 tons. It is necessary to remember that when Australian wool dropped in price and manufacturers' stocks of woollen carpets were facing a very serious slump, coir floor coverings also faced a like slump. It is, therefore, important that the close reaction of one fibre against

another is carefully considered. That is the reason why the total world production of "industrial fibres" is taken as a basis for comparing the position of coir yarn, which, as would be seen, is less than three per cent.

Coir yarn is in demand both at home in India for domestic and industrial uses and also in foreign countries for like purposes. Foreign countries import approximately 50,000 tons of coir yarn and in 1953-54, the United Kingdom imported about 8,000 tons, Holland 12,400 tons, Germany 9,500 tons, Switzerland 1,200 tons, other Continental countries 5,000 tons, America and Canada 2,000 tons, and other foreign countries approximately 5,000 tons. The total quantity of coir yarn imported by the European Continent alone during 1953-54 was 38,000 tons, a large proportion of which was for manufacturing purposes. The manufacture of coir mats and mattings is an established industry in Holland and Germany and also in the United Kingdom. Since the war, several European countries have started manufacturing coir floor coverings. It is understood that in Holland and Germany, most of the coir yarn imported is manufactured into coir floor coverings in power-driven machines. In the United Kingdom also, part of the coir yarn is used in the manufacture of coir floor coverings. In the predominantly agricultural countries, coir yarn is used for agricultural purposes. Some of the quantity imported is also used in the manufacture of ropes.

Coir yarn has definitely its special qualities of hard wear, damp resistance, etc., and coir mattings, therefore, are of special significance to the housewives, especially in damp places. Coir matting is by no means a substitute for a floor covering used in the drawing room, but as a cheap floor covering, it is in demand all over the world Sisal, which is largely produced in East Africa and Tanganyika, is also used in the floor covering trade. Sisal is preferred for its natural sheen and its ability to absorb dyes, but it does not wear so hard as coir. There are also other hard fibres which are put to industrial uses in various countries. From this it is clear that our coir has got to compete against other fibres and it is, therefore, natural that movement of prices of other fibres will react upon coir. It is sometimes believed in India that we have a monopoly for coir and that, therefore, the price of coir need not be influenced by the prices of other industrial fibres. This is hardly true. It is true that we have, at the moment, a near-monopoly for coir, but it should not be forgotten that there are other fibres which can easily be substituted and the prices of which will have a great bearing upon the prices of coir. It is because of the influence of other fibres that coir is also subject to periodic "ups" and "dowas" and sometimes slump. So far as the economy in India is concerned, because of the dependence of a very large section of the population on the West Coast on this industry, any fall in prices of coir would have very serious effect upon the producers. Unfortunately, it is not realised that it would not be possible either for the Government of India or for any State Government concerned to control the world prices or stabilise the prices of coir yarn. This is one of the main problems of the industry and it is because of the periodic "falls" that the Government of India has established by special enactment the Coir Board for the purposes of making a full study of the industry's needs and suggesting schemes for its development.

India manufactures approximately 22/25,000 tons of coir mats and mattings and practically exports the entire quantity to various countries of the world, chiefly the United Kingdom. All countries have varying import tariffs against our manufactured coir products excepting the United Kingdom and we are, therefore, at an advantage in marketing our manufactured goods in that country. Since 1931, the manufacturing industry in India has made little progress. Generally speaking, it is maintained at a level of 22/25,000 tons with sharp falls during certain periods. But the most important thing to be remembered is that we are not progressively absorbing our raw material namely, coir yarn, in our manufacturing industry, although we are exporting coir yarn which is twice as large in quantity of coir mats and mattings. Why is this? In the countries where coir yarn is turned into coir floor coverings, mainly Holland and Germany, it cannot be said that they would encourage import of coir mats and mattings from India. Even so, we are able to sell some quantities of the cheaper varieties of coir mats and mattings in the European Continent against the machine-made products of Holland and Germany. Although labour in India is not so well paid as labour in Holland or Germany, the very fact that our productivity is less is a main factor which certain people in India are not prepared to recognize. On a power-loom, one worker can produce not less than 750 sq. yards of coir matting in a week of 44 hours whereas on a handloom two workers can hardly produce 150 sq. yards. If, however, we can instal power-driven looms for manufacturing coir floor coverings, we shall certainly be able to compete in all those markets where coir goods manufactured on power-looms are marketed. There is, however, such a volume of opposition to the introduction of power in the present conditions in India—and this may be justifiable from a certain angle—that it may not be possible to think of developing our industry by the introduction of power for quite a long time to come. So long as we have to continue the primitive methods of production, our ability to compete with more modern methods of manufacture would remain stunted and the manufacturing industry in India can make very little headway. The only alternative is to develop the Indian market. This is one of the possibilities and the Coir Board which has been established by the Government of India has seriously turned its attention to this aspect. Our extreme dependence on the foreign markets has to be shifted and distributed so that even if our markets in foreign countries cannot be developed in the face of competition from modern methods of production, it may be possible for the industry to survive by developing the consumption in India of its products.

There are certain other problems facing the industry which are entirely internal. During the past few years, more exporters have come into existence and, without the total volume of exports expanding, there has been a large distribution of the export trade amongst a large number of people. This may be very satisfactory when considering the question from the present socialistic outlook. But a serious danger has also emerged in that the exporters in competing with each other are cutting prices, lowering standards of quality and, instead of bringing more money into the country by the trade, they are actually exporting capital out of the country. In other words, India is not able to obtain for one square yard of matting that amount which a foreign buyer is prepared to pay. To that extent the activities of a multiplicity of exporters are ruinous to India's economy. Many other deleterious consequences flow from this intense competition which has been described in certain reports as "cut-throat". This is one of the serious problems which the Coir Board is handling. Recently, an ad hoc committee appointed by the Coir Board has submitted its report and also a scheme for mitigating the evils. It is hoped that, before long, the Coir Board will be able to exercise sufficient control to make this century-old industry prosperous and beneficial to all those engaged in it and to the country's economy.

PRICE FIXING FOR PROFIT CEILING

IN its report on prices of rubber tyres and tubes, the Tariff Commission has adduced several reasons to show that the Indian tyre industry provides a valid case for State control. The theme that runs through the pages of the Commission's report is the "excessive" price charged by the industry for tyres and tubes and the "excessive" profits that the four units in the country are stated to be making since 1946. Pointing out that there has been a significant increase in selling and distribution expenses of all the four tyre companies, the Commission states that the basic cause of these is to be found in the nature of the competition between them. It draws attention to the fact that the tyre companies do not compete with each other on the basis of price but only of quality and service and is critical of the tyre industry's failure to cut down prices in the interest of the consumer. The tyre industry may not be the only enterprise in which such imperfect competition exists but in the opinion of the Commission, this tendency has to be checked and this is possible only by control. Aid given to the tyre companies during the war period in the shape of equipment and financial assistance provides another ground for control. The industry itself has recognised this and, while it does not object to reasonable State regulations, it has, naturally enough, stood against attempts to whittle down its freedom to earn whatever profits it can, within legitimate business practices, and utilise them by way of remittances to parent companies.

After realising that the gross block, which is the customary basis for calculating fair profits, is small in relation to the value of output and capital employed, the Commission has adopted 10 per cent on capital employed as "fair" return. Tyres and tubes of all makes are sold at uniform prices and the Commission had judged the fairness or otherwise of the actual prices charged by all producers by a common standard, i.e., with reference to the fair prices estimated by it for the representative unit. Consequently, in order to decide whether the actual prices charged were fair or excessive, it has compared Dunlop's actual average realisation with the fair prices as estimated by it. It has, on this basis, sought to show that the actual realisation by Dunlop was in "excess" of the fair prices in each year since 1946. Of course, by the standard adopted by the Commission, the profits may be considered "excessive". The balance sheets publicised by the companies have hidden nothing; it has been clear that year to year they have been making large profits, but the question is to what extent they could be considered as "excessive" and limited by State control.

The Commission recognises that, "in the case of a large and expanding industry of this kind, the basis of calculating profit should have some relationship to the volume of business". But it does not seem to have really taken into account the volume of business in calculating the fair profits. A proper yardstick for measuring reasonable profits is their relationship to sales in value. On this basis it is interesting to note that the Taxation Enquiry Commission gives the following percentage of profits, after deducting bonus, for 1951: Steel 17.5, cement 22, sugar 12.1, paper 19.6, cotton textiles 9, tea plantations 17, and coffee and rubber plantations 42. To cite even more recent results, the Tisco's percentage of profits in 1954 was 17.8 and ACC's 19.5, against Dunlop's 8.2.

In calculating "fair profits", the Commission did not consider it proper to take into account the additional dividend liability incurred by the companies by issuing bonus shares. Of the representative unit, it states that the total amount which should have been available in reserves at the end of 1953 was Rs. 259 lakhs, but that actually Rs. 149 lakhs were shown in the balance sheet. The balance of Rs. 110 lakhs was distributed to shareholders in the form of bonus shares. To this the company has pointed out that, in fact, this sum of Rs. 110 lakhs was still capital at work in the company and had not in any sense been distributed and so long as the additional capital is in use, it cannot be excluded in calculating the return. In any case, it is a conventional practice to transfer from the head "Reserves" to the head "Capital", which merely means that, if and when trading results justified it, shareholders might receive a dividend, at a suitably lower rate on the extra capital.

There is nothing uncommon in the tyre companies gradually increasing the amount distributed with the expansion of business and consolidation of resources. The following table gives the amounts distributed by the representative unit:

	Available Profit After Taxation	Ordinary Capital	Ordinary Dividend	
			Rate	Amount
1946	39,92,000	50,00,000	40%	20,00,000
1947	47,86,000	50,00,000	40%	20,00,000
1948	47,93,000	50,00,000	40%	20,00,000
1949	50,34,000	100,00,000	20%	20,00,000
1950	42,61,000	100,00,000	20%	20,00,000
1951	59,83,000	100,00,000	20%	24,00,000
1952	66,81,000	160,00,000	15%	24,00,000
1953	55,28,000	160,00,000	15%	24,00,000
1954	58,62,000	160,00,000	15%	24,00,000
TOTAL	469,31,000	..	..	196,00,000

In contrast to above figures, it is noteworthy that, according to the Taxation Enquiry Commission, for all industries, the average proportion of profits distributed to profits available, after taxation, was 57.7 per cent over the period 1946-51.

PROFITS AFTER TAX OF 492 SELECTED COMPANIES

Industry	Profits After Tax	Profits Distributed	(2) As per cent of (1)
	1	2	3
1. Cotton	51,40	25,29	49.2
2. Jute Textiles	18,36	13,42	73.1
3. Other Textiles	1,22	70	57.4
4. Iron and Steel	23.21	12,20	52.6
5. Engineering	7,07	3,97	56.2
6. Sugar	5,48	3,07	56.0
7. Chemicals	2,22	1,44	64.9
8. Paper	5,16	2,44	47.3
9. Vegetable Oil	96	59	61.5
10. Matches	2,85	1,39	48.8
11. Cement	8.98	5,40	60.1
12. Tea Plantations	10,14	6,97	68.7
13. Other Plantations	72	48	66.7
14. Coal	4,83	3,10	64.2
15. Electricity	9,46	7,26	76.7
16. Shipping	3,12	2,20	70.5
17. Others	17,31	9,61	55.5
TOTAL	172,49	99,53	57.7

The Commission itself recognises the fact that, during the last war, the country benefited greatly by the establishment of the two factories, "but for whose existence, there would have been acute shortage of tyres and tubes; road transport would have been crippled and the movement of essential supplies for both military and civil needs would have been greatly hampered". The existence of these manufacturing concerns has helped the country to save considerable foreign exchange. Further, it has stimulated the production of raw rubber in India. Just as the Indian subsidiaries obtain funds for capital expenditure, when needed, from the parent companies, there should be equal freedom for remittance of surplus profits to the parent organisations. In any case, there is no reason why the tyre companies in India should be chosen to introducing a principle of limitation of profits through price control.

Economic Report from the U. S.

BRIGHT ECONOMIC OUTLOOK

(By Guy Sims Fitch)

NEW YORK, Nov. 15.—The strength of the economic upsurge in the United States has taken many economists by surprise. Not that they expected any serious interruption to the current prosperity. But there were few, indeed, who believed a year ago that the economy would maintain an unbroken rise for so long a time. Now there are indications that it is moving on to even greater achievements. The steel industry, with a record output already in sight this year, is all but sold out six months ahead. Some automobile producers are talking confidently of making even more cars in 1956 than in record-breaking 1955. New construction is expected to increase another 5 per cent next year. Concerns are well on the way to making this the biggest Christmas shopping season in history. And the stock market, headed downward only two months ago, is again on the upgrade and has all but recovered its earlier losses.

But perhaps the most important indicator of all is a relatively little noticed report released by the Research Department of a leading economic publisher. It was the McGraw-Hill Company's annual survey of American industry's planned investments in new plant and equipment for the coming year. To say that the results of this survey are astounding could be considered an under-statement. For one top of the record outlays of $29,400 million already in progress this year, American business men plan to step up their spending a full 13 per cent next year, to the amazing total of $33,400 million—the largest year-to-year gain in any peace-time period. Never before has the American business community expressed such confidence in the economic outlook.

Virtually, every business sector expects to share in this rise, with manufacturers as a group intending to increase their expenditures by 30 per cent, commercial establishments by 10 per cent. A breakdown by industries shows the scope of these spending plans. The steel industry, for instance, expects to step up its investments in new facilities by 72 per cent, the automobile industry by 68 per cent, the non-ferrous group by 54 per cent, chemicals by 34 per cent, paper by 30 per cent, rail-roads by 27 per cent, rubber by 24 per cent, electrical machinery and petroleum refining by 13 per cent, textiles by 10 per cent, and food and beverages by 5 per cent. How reliable are these surveys? Economists no longer question their accuracy. For these reports are not so much predictions as they are reflections of business budgets. Experience has shown that in no post-war year has actual spending deviated more than 4 per cent from the earlier estimates. And the discrepancies, where they have existed, usually have stemmed from conservative rather than over-optimistic projections.

The current survey indicates that business men are basing their confidence on two main factors. For the immediate future, they expect an over-all gain in sales next year of 7 per cent, ranging from 2 per cent in the non-ferrous industry to 9 per cent in the textile, machinery and chemical industries. No industrial group sees a sales decline ahead. But equally important are the long-term trends; with the population expected to expand 20 per cent in the next 10 years, business men are preparing a period of unparallelled economic growth. Even at this early date, many companies have formulated concrete plans for a continued high level of capital outlays in 1957.

The reliability of this year's survey is enhanced by the number of companies taking part. In the past, reasonably accurate results have been obtained through polling a relatively few key concerns. But the 1956 survey is the broadest yet attempted, the participating companies accounting for more than one-third of the nation's total employment. More companies of medium and small size have been included than ever before. Also significant is the timing of the survey. Participating companies were polled shortly after President Eisenhower's recent illness. It, therefore, becomes clear that political considerations have played little part in business thinking on future economic prospects.

Business expansion plans are being drawn up, moreover, without regard to defence requirements. U.S. spending for national security has been declining steadily for two years, and the Government has curtailed sharply its programme for defence-connected industrial expansion. Virtually, all the new facilities currently planned by American business are inspired by and applied to civilian economic activity. These investments have provided one of the strongest foundations for American prosperity in the past year. They promise to provide an even stronger foundation in the years ahead.

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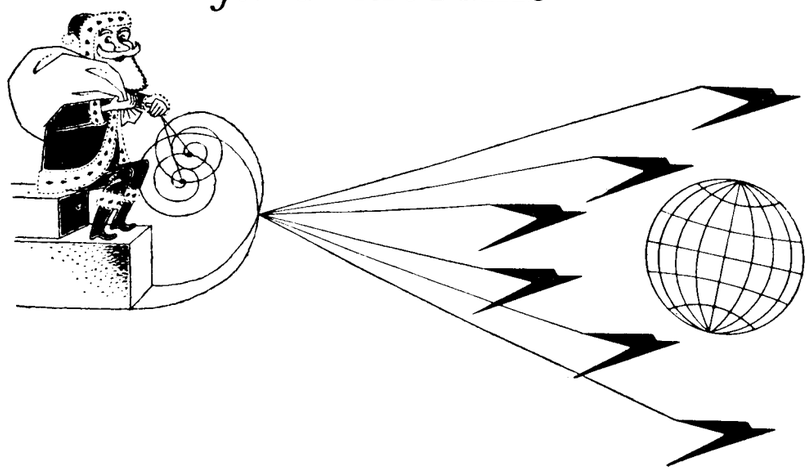


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The Business World

BOMBAY AS CITY STATE: LIKELY RESULTS

By

CROESUS

I CANNOT say whether or no the carving of Bombay State into three units—Samyukta Maharashtra, (including Vidarbha and Marathawada), Maha Gujerat (including Saurashtra, Kutch and Mount Abu) and the City State of Bombay (comprising the area at present within the jurisdiction of the Bombay Pradesh Congress Commitee—B.P.C.C.), as has been recommended by the Congress Working Committee (C.W.C.), is a Divali gift to the Gujeratis or to the capitalists, as has been described by some. But it has certainly made the Maharashtrians think furiously as to what they should do now and the non-Maharashtrians in Bombay city to await anxiously the outcome of the Maharashtra Pradesh Congress Committee (M.P.C.C.) Executive Committee discussions on November 16 (which will be known before these lines appear in print). A random sample survey, as it were, made by me on a small scale makes me feel that there are equal chances of the Maharashtrians accepting (i) the Congress Working Committee's resolution and (ii) the S.R.C. proposals as they are. It would, indeed, reflect mature political wisdom on the part of the Maharashtrians if they should prefer the latter course, say some shrewd observers. Although this might, on the face of it, seem some loss of face to their leaders, those who indulge in politics know they cannot very well afford to be that sensitive. Be that as it may, the purpose of this dispatch of mine this week is briefly to examine what will happen to Bombay if it becomes a City State. It is such a fascinating essay to speculate on it that no columnist can resist the temptation.

To take the debit side first. There will certainly be a great loss in area and population from the present 111,434 sq. miles and 35,956,000 people to 320 sq. miles and 40 lakh people. (As against 151,360 sq. miles and a population of 40.2 millions of the reconstituted State as suggested by the S.R.C.) Secondly, as the S.R.C. has observed in its report, Greater Bombay now depends on Maharashtra for further expansion, but this will not be possible in future if it is made into a separate City State. The new Bombay City State would also lose in revenue, but, even so, judging from the figures published by the present Bombay Government, namely that "Greater Bombay's average surplus during the three years ending March, 1953 was of the order of Rs. 12 crores", there is no fear of its being ever reduced to a deficit State. Fear has also been expressed of some exodus of labour which, it is claimed, has been predominantly Maharashtrian, but, then, as a result of the steady influx of workers from other parts of India for some time past, particularly Uttar Pradesh, Madras and Andhra, not to speak of the refugees from the Punjab and Sind, it is doubtful, according to some, if the erstwhile predominance of Maharastrian workers continues to hold good today, although, as a single solid bloc, it is conceded they still far outnumber any other single linguistic or regional group. There is also some apprehension that, as there is bound to be an exodus of officials either to the new Gujerat or to the new Maharashtra State, values of building sites, house property and rents would go down, but, here too the fear, it is believed, is exaggerated, inasmuch as there is still a long queue of househunters; the demand for houses will continue to be considerable and, in any case, any such adverse effect can only be a transitory phase and sure to disappear soon.

As against these, there would seem to be certain distinct advantages if Greater Bombay were to be constituted as a separate City State. Perhaps the one greatest advantage is that, as a composite State, it will continue to be India's most cosmopolitan region, a nursery where that much-needed catholic feeling of every citizen of "Bharat" being an Indian first and everything else next is best fostered. That way its contribution is bound to become more and more in the years to come.

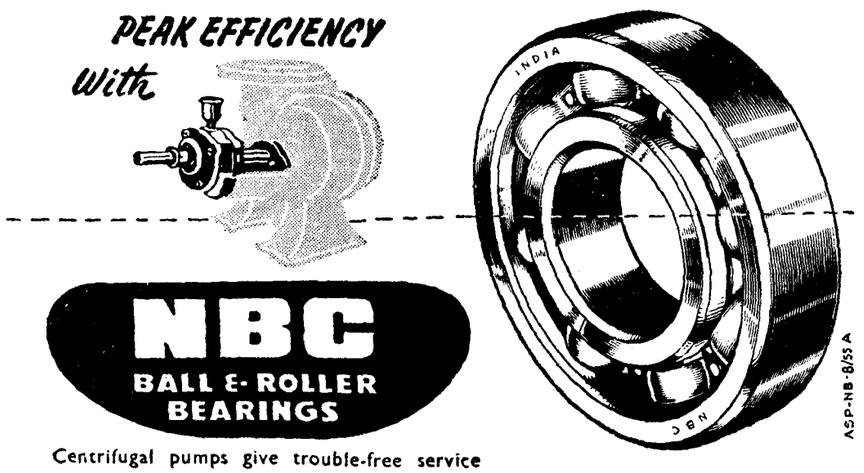
The creation of a City State will make Bombay a unique State in the country, in that it would cease to be burdened with any complicated land or rural problems which always crop up these days and clash with all urban development schemes. More attention may be expected from the future Government of the City State of Bombay to the development of Greater Bombay—from the points of view of education, health, sanitation, etc. Also, because of the absence of any pressure from "mofussil" legislators to start all new industries in their districts or towns, one may expect the new State Government of Bombay City to view more favourably than now all applications for starting new industries.

The new City State of Bombay, the destinies of which will be controlled mostly by representatives of hard-headed and realistic business men, on the one hand, and of the bourgeois class, on the other, may also be expected to steer clear of either extremes in politics, right or left. Thanks to the organisation of labour and the enlightened attitude of present day employers, labours' interests, it must be added here, will not suffer in any way. Because of the greater opportunities that would be available to earn better wages and enjoy more leisure, under the new set-up, the bourgeois class will endeavour to accelerate the process of evolution of the worker class into middle class. One may visualise, therefore, perhaps a more peaceful labour front than even now.

A possible fly in the ointment, however, is the agitation that may be kept alive for the next five years, that is until the 1961 General Elections, especially by the Maharashtrian elements, to woo Bombay so that it might eventually merge in the Maharashtra State, for which course the door has deliberately been kept open by the C.W.C. It is too early yet, and too much for a columnist at any rate, to express any opinion on the political wisdom of keeping such a vital issue hanging in the balance thus. It has been praised and condemned in turn, by eminent persons. But one need fear no ugly turn or development as a result of this, as some seem to apprehend, if only because the cosmopolitan public of the City State of Bombay will watch and judge critically every move of the Maharashtrians in the coming five years and it is, accordingly, in their own interests for Maharashtrians to pursue their mission as peacefully and persuasively as they are capable of. That, again, poses a severe test of political maturity.

Finally, will the people in the future City State of Bombay continue their association with Gujerat, Maharashtra, and Karnataka? As far as I can visualise, the association with all the three major linguistic regions of the present multi-lingual State of Bombay will

be maintained and even fostered, despite the ingenuous efforts of those, who unwittingly (or deliberately) forget to include Karnataka in the matter of routing of the City-State's surplus to deficit areas, and speak only of Maharashtra and Gujerat as being entitled to about 50 and 21 per cent, respectively, of the surplus, presumably basing on the S.R.C. figures of the respective deficits of these two new States of Rs. 6 crores and Rs. 2½ crores. For, once the linguistic issue is settled, every linguistic group will assiduously endeavour to get on as well as it can with another linguistic group, even as, after the issue of independence was settled, the Indo-British relations improved perceptibly almost overnight.

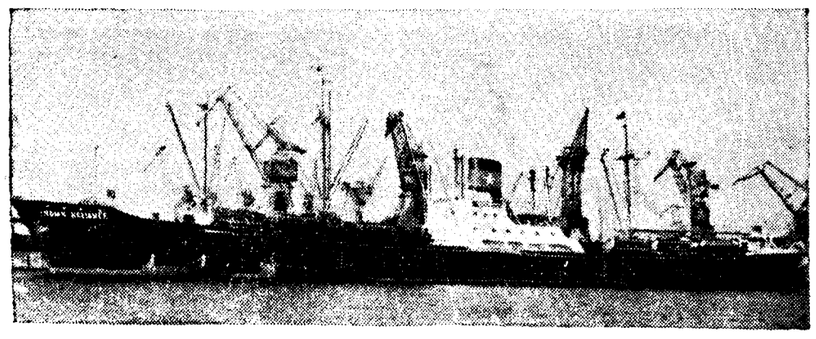


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BUSINESS NOTES

CO-OPERATIVE INSURANCE

SYNCHRONISING WITH the Co-operative Week celebrations, the Bombay Co-operative Insurance Society, Ltd., one of the premier co-operative insurance societies in India, also celebrated twenty-five years of its useful existence. From humble beginnings in 1930, the Society has made huge strides during the quarter of a century with the help of the leading co-operators of Bombay State. The sound financial position of the Society is revealed by the fact that it has built up a fund of over Rs. 1.52 crores and invested about Rs. 39 lakhs in the co-operative movement and another Rs. 62 lakhs in the securities of the Central and State Governments and other public bodies. The Society was the pioneer in taking insurance on a large scale to the textile workers of Ahmedabad and Bombay. A notable feature of the Society's working is that, each year, nearly 30 per cent of the business written by it comes from low income groups in the shape of policies for less than Rs. 900 assured.

The Society has really demonstrated its co-operative spirit by making its Silver Jubilee a part of this year's Co-operative Week. Incidentally, this provided an occasion for a Union Minister to make certain observations which serve to throw light on how presumably the Union Government's mind is working on the controversial issue of nationalisation of insurance. The great public interest it has aroused is evident from the fact that as many as about 43 members of Parliament are reported to have given notice of a resolution to be moved in the Lok Sabha urging nationalisation of insurance companies as early as possible.

Dr. Punjabrao Deshmukh, the Union Minister for Agriculture, referred to above, who presided over the Silver Jubilee function of the Society, had some pertinent points to make regarding insurance, and the forms it has been taking. He categorically said that, as complete nationalisation of insurance was not easy, a workable alternative seemed to lie in increasing "co-operativisation" of the insurance field. The present position, therefore, can be best summed up thus: nationalisation remains a threat, mutualisation is spreading, and "co-operativisation," apparently, is being officially encouraged. In this connection, it would be pertinent to recall that the Insurance Committee of the International Co-operative Alliance also is more or less of the same view. According to it, while nationalisation may tend to replace the private interest of shareholders by the general interest of the entire public, co-operatives not only replace the private interest of shareholders but also consider the interest of the consumers. Indeed, co-operatives regard the latter as of paramount importance. Co-operation is thus socialism in action, they claim. To quote the Committee, "nationalisation will not be found necessary for the solution of insurance problems, besides perhaps compulsory insurance of the essentially social character, e.g., superannuations, family pensions and the like. Experience has shown that, in such services which cater directly for the individual consumers and correspond to the needs of the individuals and specified groups, co-operation provides a method of operation superior to nationalisation".

If this view is accepted, as it seems to have been, the co-operative movement will have an increasing role to play in the new socio-economic set-up. Even otherwise, it is estimated that the programme to broaden the movement during the second Five-Year Plan period will involve an investment of Rs. 75 to Rs. 80 crores from the Reserve Bank, the State Governments and the Central Government. This will be in addition to what the movement will require by way of short, medium, and long term accommodation for its normal working annually, which is expected to be of the order of Rs. 150 crores, Rs. 50 crores, and Rs. 25 crores, respectively, by 1960-61. This means that the movement will have to find enormous resources to meet the needs of expanded activity in the years to come. In this important task, co-operative insurance societies can play a helpful role by mobilising local savings appreciably. So far, a very large part of the credit supply of the co-operative movement has come from outside the purely co-operative field. Co-operative insurance societies, as accumulators of savings, can fill up the gap to a considerable extent and place large blocks of loanable funds at the disposal of the rest of the movement.

PROSPECTS OF WORLD COTTON TALKS

THE PUBLICATION, a few days ago, of a statement by the International Cotton Advisory Committee, to the effect that free world cotton supply position outside the U.S., in the next two or three years, would be such as to make it possible for these countries to go without any import of U.S. cotton has caused quite a stir in the American Press. Commenting on it editorially, the "Cotton Trade Journal," Washington, observed that it was "like having a skeleton in one's closet. You know it is there—but it is never dragged out for public exhibition".

Plain truth put bluntly is seldom palatable. But then no useful purpose would be served by refusing, in the manner of the ostrich, to face facts. The ICAC did well, therefore, in having drawn pointed attention to the gloomy prospect of America's cotton and the threat of total loss of its foreign markets, and its efforts, it seems, have not after all been in vain. It would appear to have opened the eyes of the American farmer to the seriousness of the crisis brewing around him. The U.S. farmer and other intimately concerned in the farm surplus problem may now be expected to make a concerted and concentrated drive to regain America's lost or about-to-be-lost markets. As a first step in this direction, an expansion of the programme of the sale of surplus cotton in world markets suggests itself. Indeed, the disposal of U.S. cotton abroad (scheduled to take effect from the beginning of the New Year) has been a live issue, the repercussions of which are already beginning to manifest themselves in the world markets. Now that America is threatened with the loss of her overseas market for a commodity which is historically recognised as an export crop, her whole approach to the surplus problem may undergo a revision. One fear is that self-interest might dictate a course that would give immediate benefit, instead of any long-range programme with promises of sustained advantages to all concerned. If this be the case, it is clearly futile to think of holding a conference of international cotton interests to tackle the problem on a worldwide basis, as has been vigorously canvassed by a section of the American Press headed by the "Cotton Trade Journal".

The suggestion for a world conference mooted by the "Cotton Trade Journal" has brought out, for the first time, the reactions of responsible cotton men in this country to the vexed question. Thus, in a letter to the Journal, Shri Chimanlal B. Parekh, Vice-President of the East India Cotton Association, observes (as his personal opinion): "no useful purpose will be served by having an international conference, as the present problems about the marketing of world surplus cotton have arisen from the policy of the American Government". This, it may be noted, gives the direct lie to the oft-repeated claim of the U.S. Secretary of Agriculture that all the major cotton-producing countries are equally responsible for the surplus problem. With reference to the support prices, Mr. Parekh goes on to say: "I agree also that it is the duty of the government to support prices at a level at which the

farmer is likely not to lose. But it is also true that a farmer cannot be guaranteed a particular margin of profit for ever. Under the circumstances, I reiterate that holding of such international conferences is not advisable and that the immediate problem of the American Government is to put her house in order, as far as cotton is concerned, and to remove the prevailing uncertainty about the future cotton prices in the world." The question now is: "Will America act soon and take such steps as to dispel uncertainty over the cotton surplus problem and make her policy clear to all the cotton interests in the world?"

Meanwhile, an indication of how at least one of the major cotton textile producing countries is disposed to view America's surplus disposal plan has been given by Japan. This country, which has been setting new records in its exports of cotton textiles to America, and which enjoys tariff concession consequent to its becoming a full-fledged member of the GATT, mainly at the instance of the U.S.A., evidently puts the tongue in its cheek when it says: "she would not hope to purchase at specially cheap prices American raw cotton scheduled to be released by the U.S. Department of Agriculture from January 1, 1956". An official of the Japan Cotton Spinners' Association, who has recently returned to Japan from a one-month inspection trip of the United States, said in Tokyo recently that the price of cotton would be decided by public tender.

RISING RAW COTTON EXPORTS

HIGHLIGHTING THE tempo of cotton exports from this country, statistics relating to exports of Indian cotton for the first two months of the current season register an aggregate quantum which is more than ten times that for the corresponding period of the previous season. With this good start, India may well become a net exporter of cotton this cotton year. This would not appear to be impossible either. For, cotton consumption figures for the 1954-55 season show that there has lately been phenomenal increase in the consumption of Indian cotton vis-a-vis foreign cotton. The consumption of foreign cotton set a new post-independence low of 630.5 thousand bales in 1954-55, as against as much as 1,347.5 thousand bales in 1947-48.

Actual exports of cotton for the period September 1 to October 29, 1955, aggregated 169,449 bales, as against a meagre 15,702 bales during the same period last season. Japan led the rest of the countries in the offtake of Indian cotton by accounting for 67,004 bales, with China and the continent coming close on her heels with 34,651 bales and 34,362 bales, respectively, as against 10,372 bales and 475 bales, respectively, in the corresponding period of the previous season. China apparently has been going in for Indian cotton in a big way, as witness the sharp rise in her intake from just 475 bales to 34,362 bales. It may be noted here that China has yet to buy a good portion of the balance of the ad hoc quota released to her towards the close of the last season (1954-55). Export of Indian cotton to the U.S.A. has been placed at 1,148 bales, as against nil for the first two months in the previous season. In the case of the U.K. also, there has been an increase in the offtake of Indian cotton by as much as twelve times at 12,947 bales as against 1,000 bales.

Even allowing for the late release of export quota last year as compared to this year, and the continued cheapness of Indian cotton, the foregoing marks a highly encouraging performance on the export front. It is not altogether surprising, therefore, that the Government of India has decided to release a further 5,000 bales of cotton (Coconada) for export from the ports of Madras and Kakinada. Nevertheless, the market is in such a mood today that it is still surprised, but the surprise is as to why the Government stopped with giving only 5,000 bales, when the ceiling could quite conveniently have been fixed at 10,000 bales Accordingly, the optimistic section of traders is still inclined to believe that, as and when the ceiling of 5,000 bales is reached, the Government would issue a supplementary quota.

JAPANESE TEXTILES TO BESIEGE GERMANY!

OF LATE, Japan would appear to be specialising in spreading confusion in the ranks of cotton textile manufacturers in other countries. Not content with almost putting the American mill industry in the doldrums by her sharply increased exports of cheap cotton textiles to America, she has now turned her attention to Germany, it seems. A report from Frankfurt states that German imports of cotton fabrics from Japan are likely to increase under a new German-Japanese trade agreement. Under the old agreement, it may be remembered, Japan was permitted to pay for German goods by sending Japanese consumer goods—almost entirely textiles. This apart, there was also the German promise of more liberalisation which could be taken advantage of by Japan in asking for higher German textile import contingents, or to have a wider range of Japanese textiles admitted to the German market, or both. Now, since becoming a GATT member, Japan has three courses open to her. She can ask Germany to import Japanese goods (i) either according to the OEEC list or (ii) according to the terms used for imports from Pakistan, South Africa, India, New Zealand, and Australia, or (iii) according to the German liberalised dollar import list. In any case. the result would be increased Japanese textile imports into Germany, which, it is alleged by the producers in that country, would be to their great detriment. This is doubly so, it would appear, in view of the fact that Germany is reportedly in a 'weak position' and can ill afford to resist Japanese demands for the right to sell more textile goods in Germany. Under the old agreement, Germany could at least keep Japanese textiles below the "danger level."

TEXTILE PROSPECTS

THE PREVAILING optimistic outlook on cotton textile prospects was reflected in the speeches of Mr. A. D. Shroff, Chairman of the Ahmedabad Advance Mills Ltd. and the Central India Spinning, Weaving and Manufacturing Company Ltd. at the annual general meeting of these companies held in Bombay last week. Both the mills have shown substantial improvement in their working results for the year ended June 30, 1955. Ahmedabad Advance earned a gross profit of Rs. 4,94,748, as against a loss of Rs. 7,98,219 in the previous year, and declared a dividend on ordinary shares at Rs. 7 per share, without deduction of income tax. Likewise, Central India had a small surplus against the heavy loss suffered in the previous year, and declared a dividend of Rs. 3 on ordinary shares, without deducting income tax.

This general progress, it is noteworthy, was recorded despite further restrictions on the production of 'dhoties' and 'sarees' during the year under report, imposed mainly with a view to assisting the handloom industry. Restrictions were also placed on the production of printed cloths, mills having been given only certain fixed quotas. Besides, the Central Government's budgetary proposals for 1955-56 fixing the calculation of duty on the square yard instead of on the linear yard resulted in a sudden and heavy increase in excise duty on cloth exceeding 36 inches in width.

The substantial recovery, Mr. Shroff observed, was partly due to the steady demand for cloth throughout the year. At the close of the year, much lower stocks of cloth were on hand than at the end of the previous year. In the case of the Central India, the unsold cloth position improved considerably such that as against 39 per cent of the cloth on hand remaining unsold quantity at the end of 1954-55. Besides, during the year under report, the supply position of Indian cotton was easy. For the first time since Partition, India turned from a deficit into a surplus country in

raw cotton supplies. This improvement enabled Government to abolish the quota system for Indian cotton.

Trading conditions in cotton textiles during the last six months only serve to reinforce the current feeling of optimism. Cloth stocks have been generally low, and mills are well covered with raw material and future sales. The domestic piecegoods markets are faring well, and there are suggestions for having additional shifts to raise production still further.

PORT DEVELOPMENT

TWO HISTORIC ports of India, Surat in the North and Dhanushkodi in the South, are threatened with slow extinction. The former was a flourishing port during the early days of British conquest and rule in India, and the latter is hallowed by its sacred association with the hero of Ramayana. But new ports, both major and minor, are taking their place, and handling the increasing import-export trade of the country. The Government of India's scheme to develop ports in India is now gaining momentum. The total expenditure in the first Five-Year Plan period is expected to be of the order of Rs. 40 crores, and a further investment of Rs. 49 crores is being envisaged during the second Plan period.

With the inauguration of the tanker discharge facilities in April last, Kandla became the sixth major port in India, the other five being Calcutta, Bombay, Madras, Cochin and Vizagapatnam. The Kandla port development scheme, in the words of the Union Minister for Transport, is "one of the biggest projects undertaken by the Government of India after Independence, and a new venture of its own kind." The whole project, estimated to cost Rs. 13.83 crores, is expected to be completed by 1957. Its importance has been recognised even by the S.R.C. which has urged a Special Development Board for Kutch after the proposed merger of that 'C' State with the reconstituted Bombay State.

It was announced at the fifth meeting of the National Harbour Board, held recently at Vizagapatnam, that, out of the sum of Rs. 49 crores, which would be made available for development of ports during the second Plan period, Rs. 5 crores would be earmarked for minor ports, including those of Mangalore, Pradeep and Tuticorin. Much interest is thus centred on the development of these ports, and it has even been suggested that a major portion of Government shipping like food supplies and machinery imports should be diverted to these minor ports.

During the past few months, however, the claim of Tuticorin for development as a major port is being repeatedly pressed by several trade organisations using the port. Mr. S. Nanjundiah, in his report on the Survey of Minor Ports in India (May 1951), had observed: "Tuticorin is a fine natural harbour, with calm water throughout the year". Tuticorin stands first among the minor ports of Madras State and, till recently, that is until Mangalore was constituted into a Port Trust, was the only minor port to enjoy the privilege of having a Port Trust. The subject of development of Tuticorin Port was considered by the National Harbour Board in April, and the Board had decided that, at the time of preparing the second Five-Year Plan, the question of development of Tuticorin as a major port would be examined and that, in the meantime, necessary preliminary investigations should be carried out. A committee under the chairmanship of Sir A. Ramaswamy Mudaliar has now been appointed to inquire into the Sethusamudram Project, which has a bearing on the development of Tuticorin.

NIGHT FLYING

THE NIGHT Air service by the new fleet of 4-engined Skymasters was inaugurated on November 5 simultaneously from Calcutta, Bombay, Delhi and Madras with Nagpur serving as before as a midway terminal. Press representatives from these places were taken on a proving flight on Thursday night and they arrived back at their own places after a halt in Calcutta, Bombay and Madras on Sunday morning.

The new service will certainly attract a large number of passengers to the Night Air Services which also carry mail; it gives a high sense of security and comfort which is likely to re-establish night travel after a period of unhappy eclipse. The service and amenities to passengers are designed on a liberal scale. There is no doubt that the prospects of this new service are bright. The Indian Airlines Corporation is to be congratulated on the enterprise shown.

SEALED JUTE LOOMS

AS IS well known, the Indian Jute Mills' Association sealed 12½ per cent looms in May 1949, as a result of the shortage of raw jute, the abnormal increase in stocks of manufactured goods and the uneconomic prices then prevailing. The spokesman of the Gunny Trades Association, Mr. Vishwanath More, has now sought to show that circumstances have now sufficiently changed to warrant unsealing of these looms. The total effect of the opening of the looms, it is stated, would be an annual increase of approximately 1.4 lakh tons of jute goods. It would mean an additional demand of about seven lakh jute bales. Since India and Pakistan have an abundant supply of jute, the problem of this additional demand of the industry should not be found acute.

A study of the stock figures will show, whether or not the world markets would be able to consume the additional production in normal times. In January 1954 the mills worked 42½ hours a week with the 12½ per cent looms sealed. The stock of jute goods at the end of January 1954 was 95.7 thousand tons. In July 1954, the working hours were raised to 45 hours per week, and the stock at the end of July 1954 was 80.8 thousand tons. In October the weekly working hours were raised to 48 and the stock at the end of October 1954, November 1954 and December 1954 was at 69.4, 69.0, and 69.7 thousand tons, respectively. Since then the jute mills have been working 48 hours a week, with 12½ per cent looms still sealed and it has been possible for the world market to lift the jute mills production. At the end of September 1955 the stock with jute mills stood at 69.7 thousand tons, but the stock of jute goods at the end of May 1949, when the 12½ per cent looms were sealed, stood at 127.0 thousand tons. On the strength of these figures, it is safe to assume that the stock position has remained satisfactory. The mills have been able to sell what they have produced in spite of increased working hours.

The question is what would be the position if the jute mills opened all the looms and the world could not absorb the goods so produced. The internal consumption of jute goods in India, following the expanded agricultural and industrial activities, is on the increase. It will not be too optimistic to visualise that the export trade of jute goods is likely to improve further. India exported during the eight months ended August this year, 587.13, 549.10 and 449.38 thousand tons in 1955, 1954 and 1953, respectively.

Considering the fact that India has a well-organised industry, with world-wide connections, and that modernisation of jute mills is progressing well, there is no reason why we should miss the opportunity of unsealing looms. If the looms are opened, the problems of retrenchment of mill labour due to modernisation could be dealt with satisfactorily. It may be added that at present 8,000 looms are lying idle. The average cost of a second handloom is estimated at Rs. 8,000. In other words, a sum of Rs. 6.40 crores is lying in an unremunerative condition.

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The Audited Accounts of the Company for half-year ended September 30, 1954, show that Gross Earnings for the half-year were Rs. 3,54,865 which is Rs. 49,363 more than the earnings of the corresponding period ended September 30, 1953. There is a decrease of Rs. 2,956 under Goods and increases of Rs. 32,956, Rs. 1,317, Rs. 7 and Rs. 18,039 under Coaching, Miscellaneous, Telegraph and E. R'y., Compensation respectively. Working Expenses for the half-year were Rs. 3,50,927 which is 48,811 more than the figure for half-year to 30-9-53. Net earnings for the half-year were Rs. 3,933 against Rs. 3,386 for the half-year to 30-9-53 an increase of Rs. 552.

The available balance for distribution is:

Net profit for the half-year	..	Rs. 3,654
Balance brought forward	..	„ 12,851
		Rs. 16,505

The Directors recommend that the available balance be disposed of as follows:

Payment of dividend for the half-year at the rate of 6 per cent per annum		
Less Income-Tax		Rs. 13,275
Balance to be carried forward	..	„ 3,230
		Rs. 16,505

In the Company's report for the previous half-year, it was mentioned that a provisional agreement had been reached with the Eastern Railway fixing compensation for 10 years up to March 31, 1956, at the rate of Rs. 50,000 for the first five years and Rs. 60,000 for the next five. The agreement was subject to the approval of the Railway Board, but the Board has disclaimed any legal liability to pay compensation. They have, however, without prejudice to the legal rights of the parties concerned, agreed to pay a sum of Rs. 1,71,961 representing the balance of the amount due in terms of the provisional agreement up to March 31, 1954, with the stipulation that no further payment would be made on this account.

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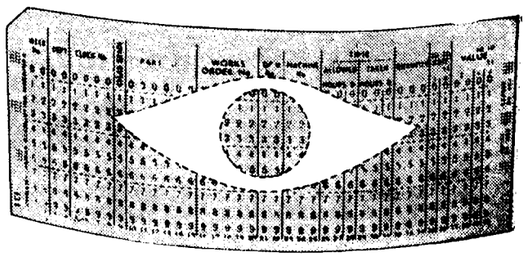
The Audited Accounts of the Company for the year ended June 30, 1955, show for the period, after making the usual provisions, but before charging Depreciation as below, a loss of Rs. 18,061

To which has been added:		
Depreciation	Rs. 75,000	
Contingencies Reserve	„ 60,000	Rs. 1,35,000
		Rs. 1,53,061
From which has been deducted earlier provisions no longer required		„ 1,46,083
		Rs. 4,978
From which has been deducted the Carry Forward from the previous year		„ 13,455
To be Carried Forward to next Account		Rs. 8,477

As in previous years, the area supplying cane to the factory was affected by floods, but the quantity of cane crushed, 16,97,490 maunds, and the recovery, 9.93 per cent, were both higher than in the previous year. Out of the total sugar production for the 1954-55 season, Government retained 25 per cent for controlled sales.

On March 1, 1955, the Government of India increased the Excise Duty by Rs. 1/6 - per maund. The sugar produced in India during the period was the highest on record at some 16 lakh tons which, together with nearly 6 lakh tons of foreign sugar imported by the Government of India, resulted in a total of 22 lakh tons of sugar being available against an estimated consumption of some 16 lakh tons. This state of affairs has resulted in a steady and continuous fall in prices which together with the increase in Excise Duty has had its effect on the trading results of the Company for the year in question. Stocks of sugar remaining unsold on June 30, 1955, have been valued at the market rate on that date, but a Contingency Reserve has been provided to cover the estimated fall in price of sugar remaining to be sold.

While the efficiency of the factory's operations continued at a high level, it was adversely affected by the poor quality of the cane crop and the difficulties of obtaining adequate supplies of railway wagons both for bringing sugarcane to the factory and for sugar despatches.



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H-32

COMMODITY NEWS AND NOTES

RISE IN PRICE OF U.S. NEWSPRINT

The Bowater Paper Company has announced a $4 increase in the price of its newsprint, effective from December 1. This would bring the price to $131 a ton, delivered in New York. The increase came one month after Sir Eric Bowater, Chairman of the Company had predicted that a rise in the price of newsprint was inevitable in the near future. On October 18, the St. Lawrence Paper Corporation Ltd., a major Canadian newsprint producer, became the first to raise prices. It announced a $5 a ton advance, effective from November 11. The Bowater Company became the eighth company to increase its price.

NORTH INDIAN TEA PRODUCTION

The estimated outturn of North Indian tea in October amounted to 84,140,000 lb., as compared with 82,439,000 lb. in the corresponding month of last year, showing an increase of 1,710,000.

The total outturn during the current year up to the end of October was 5,620,000 lb. higher at 456,130,000 lb. as against 450,510,000 lb., in the corresponding period of last year. The total crop during the current year is 13,270,000 lb. larger than the average for the last three years which totalled 442,860,000.

CROP COMPETITION FOR RABI, 1955-56

The Union Ministry of Food and Agriculture has urged State Governments to launch an intensive drive for organising crop competitions for Rabi, 1955-56. Crop competitions in recent years have proved to be one of the best means of inducing farmers to adopt improved techniques which lead to bigger harvests. The 'crop competition fortnight' for Rabi, 1955-56, is to be organised in the States by mid-December this year. As in previous years, these competitions will be organised with regard to wheat, potato and gram crops. Competitors securing the highest yield per acre at the All-India level will be awarded each a cash prize of Rs. 5,000 and the Certificate of "Krishi Pandit."

Farmers who obtained the first six places in point of yield for the three crops in the State competitions during Rabi, 1954-55, are eligible to compete for the 1955-56 competition, as well as those who had registered themselves for Rabi, 1954-55, but could not participate on account of natural calamities. The number of competitors increased from 19,000 in 1949-50 to 1,91,000 in 1953-54, and the acreage from 36,000 to 2,46,000. The additional foodgrain production resulting from crop competitions in 1953-54 was about 20 lakh maunds.

WORLD WOOL OUTPUT

The characteristic feature of world wool trade during the post-war years has been a substantial increase in both production and consumption. According to figures published by the Food and Agriculture Organisation, production of wool in the 1954-55 season was 1.17 million tons against 960,000 tons in 1945-46 which means a rise of 21.6 per cent. The rise in consumption is 11 per cent at 1.14 million tons.

The expansion in output has been almost continuous. The rise has been proportionately greater in the Southern hemisphere due to larger Dominion clips. The United States reports a sharp fall in output despite price support programmes. In other countries the expansion has been fairly general.

The marked rise in post-war wool consumption is attributed to depleted wardrobes during the war years and high post-war incomes. Moreover, Korean hostilities resulting in large military orders and building up of textile inventories gave impetus to activity. World wool consumption has been highest in 1950 at 1.21 million tons. There was a sharp fall in 1951 to 1.03 million tons and after a recovery in consumption again fell to 1.14 million tons in 1954.

The following table gives details of output and consumption during the last 10 years.

Year	Output Thousand Metric Tons
1945-46	960
1946-47	972
1947-48	968
1948-49	991
1949-50	1022
1950-51	1056
1951-52	1068
1952-53	1148
1953-54	1152
1954-55	1167
Consumption	
1946	1025
1947	1112
1948	1166
1949	1106
1950	1212
1951	1030
1952	1060
1953	1178
1954	1138

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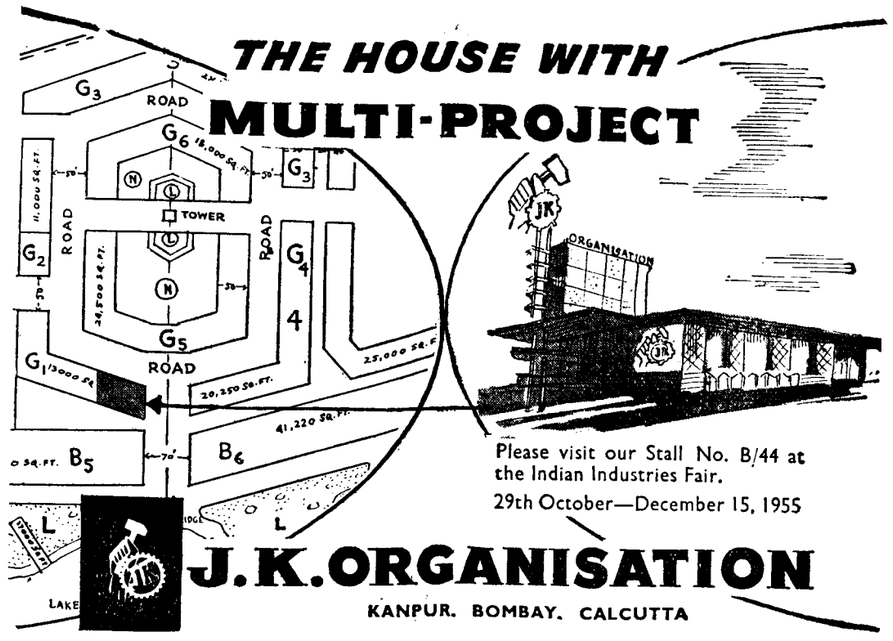
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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	322.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
February 1955 ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6†	90.9	100.7	87.8	117.9
August ,, c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ,, c ..	313.0	396.1	324.8†	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October ,, c ..	315.7	404.2	329.8	371.2	559.3	357.2	91.0	100.7	87.2	124.5
Week Ending										
24-9-1955 ..	306.5	397.5	324.8	368.6	554.9	351.0	90.9	100.7	87.1	122.2
1-10-1955 ..	308.3	396.2	325.0*	369.9	560 2	352.1	90.9	100.7	87.3	122.3
8-10-1955 ..	306.4	397.8	329.4	373.6*	559.9	353.5*	91.0	100.7	87.5	123.5
15-10-1955 ..	319.4	408.2	330.0	370.2	559.0	358.8	91.0	100.7	87.2	124.1
22-10-1955 ..	320.1*	409.2*	332.2	370.9	559.4	360.3	91.0	100.8	87.0	125.4
29-10-1955 ..	322.8	410.2	332.2	371.1	557.8	361.0	91.0	100.7	87.2	127.0

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhianat	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	133
August	325	341	229	134	329	375	—	137	318	136	138	—
September	317	333	224	133	327	373	—	—	322	—	—	—
October	—	—	—	—	—	—	—	—	323	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	12-11-1955			5-11-1955			29-10-1955			22-10-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	96- 2	95- 2	95- 8	96- 4	94-15	95- 7	95-12	94- 6	95- 3	95- 3	94- 4	94-14
Silver (per 100 fine tolas)	171- 7	168-11	170- 3	168-14	167- 5	168- 0	169-15	167-12	169- 0	170- 8	168- 6	169-14

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	62,84	32,36	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,62	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
March 1955	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August ,,	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
September ,,	1,290,78	23.49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October ,,	1,303,25	10,97	1,315,39	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
Week Ending										
7-10-1955	1,301,45	9,89	1,311,66	40,02	646,97	686,99	52.39	110,56	513,79	1,311,34
14-10-1955	1,302,41	9,25	1,316,04	40,02	627,10	667,11	50.86	110,88	533,67	1,311,66
21-10 1955	1,303,26	8,73	1,311,99	40,02	627,10	667,11	50.85	111,21	533,67	1,311,99
28-10-1955	1,305,86	16,00	1,321,87	40,02	627,10	667,11	50.47	111,15	543,60	1,321,87
4-11-1955	1,317,54	12,98	1,330,52	40,02	627,10	667,11	50.14	109,86	553,54	1,330,52

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406.95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23.22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
March 1955	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205.34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63.67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August ,,	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September ,,	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	51,57	1,02	28,64	52,13	11,65
October ,,	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	82,93	76	20,52	50,24	12,17
Week Ending														
7-10-1955	51,15	9,59	67,25	16,36	144,35	23,82	178,17	9,99	11,90	69,43†	2,67	22,10	50,11	11,98
14-10-1955	51,76	29,08	61,94	15,86	158,63	24,87	193,50	9,41	9,91	91,60†	35	20,94	50,22	12,06
21-10-1955	48,34	25,48	57,59	15,88	147,29	27,17	184,46	8,85	8,23	85,41†	..	19,45	50,30	12,22
28-10-1955	49,33	30,23	57,71	15,79	153,07	27,82	190,89	16,13	7,15	85,27†	2	19,57	50,33	12,42
4-11-1955	54,69	18,84	59,05	15,46	148,04	27,55	185,60	13,07	5,77	81,93†	1,04	21,12	50,26	12,41

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39* ..	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48* ..	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49 ..	674,56	303,88	978,44	37,51	79,46	11.95	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 .	593,73	290,82	884,55	37,33	57,29	10.76	523,59	22,81	61.77	303,48
1952-53 .	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	58.46	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	57.80	321,29
1954-55 ..	559,62	351,86	911,48	32,66	53,91	9.50	468,39	84,66	62.08	339,74
Average of Fridays										
May ..	585,70	386,37	972,07	34,64	47,08	8.41	504,23	119,56†	65.77	344,41
June ..	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
September ..	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	106,18†	61.15	381,86
October ..	612,82	422,95	1,035,77	33,98	59,64	9.04	484,87	105,51†	59.24	390,42
Week Ending										
30-9-1955 ..	611,40	417,58	1,028,98	32,34	60,85	9.06	489,64	103,70†	59.86	384,51
7-10-1955 ..	610 08	421,42	1,031,49	32,92	66,88	9.68	485,23	103,94†	59.38	385,93
14-10-1955 ..	609,81	422,07	1,031,88	32,56	60,52	9.02	485,36	104,10†	59.27	390,47
21-10-1955 ..	615,23	423,93	1,039,15	33,47	55,16	8.53	482,53	107,95†	59.08	392,96
28-10-1955 ..	616,18	424,38	1,040,56	36,97	55,98	8.93	486,36	106,04†	59.24	392,34

* Undivided India.

† Including foreign bills purchased and discounted.

NOTE: Column (10) indicates (8+9+money at call and short notice) as percentage of (4) from 14-5-54.

MONEY SUPPLY

(Lakhs of rupees.)

Last friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,784,55	1,199,25	585,30	548,95	36,35	−44,30
1953-54 ..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55 ..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
August 1954 ..	1,771,92	1,167,01	604,91	577,98	26,93	−5,71
September ,, ..	1,774,00	1,173,53	600,47	576,01	24,46	+2,08
October ,, ..	1,797,27	1,185,44	611,83	579,08	32,75	+23,27
November ,, ..	1,807,86	1,188,45	619,40	591,39	28,01	+10,59
December ,, ..	1,848,89	1,224,61	624,28	597,20	27,08	+41,03
January 1955 ..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February ,, ..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March ,, ..	1,980,90	1,311,77	669,13	599,16	69,97	+65,56
April ,, ..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May ,, ..	1,989,50	1,348,41	641,09	616,96	24,12	−13,64
June ,, ..	1,988,42	1,343,74	644,67	623,43	21,24	−108
July ,, ..	1,975,48*	1,324,49*	620,99*	620,41*	30,58	−12,94*
August ,, ..	1,994,93*	1,314,41*	680,53*	632,51*	48,02	+19,45*
September ,, ..	1,963,78*	1,309,17*	654,61*	631,27*	23,35	−31,15*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.

CENSUS OF MANUFACTURING INDUSTRIES, 1953

PAPER AND PAPER-BOARD

Item		Bombay	West Bengal	Uttar Pradesh	Bihar	Madras, Madhya Pradesh, Punjab, Orissa and Andhra	Total
1		2	3	4	5	6	7
1. Number of factories employing 20 or more workers and using power—							
(a) In existence		17	16	6	3	8	50
(b) From which returns were received ..		16	13	6	3	7	45
(c) Percentage of (b) to (a)		94	81	100	100	88	90
2. Average number of days worked		280	295	294	273	273	285
3. Productive capital employed—							
(a) Fixed capital—							
i. Land	Rs.	1,03,502	18,04,161	1,45,550	1,03,34	24,40,496	45,97,093
ii. Buildings	Rs.	43,49,012	1,40,80,869	24,35,008	16,38,764	78,41,424	3,03,45,077
iii. Plant and machinery ..	Rs.	67,63,352	3,08,20,296	39,86,310	55,14,302	3,44,36,453	8,15,20,713
iv. Other fixed assets	Rs.	4,46,643	16,90,595	2,57,169	2,67,971	32,94,400	59,56,778
TOTAL	Rs.	1,16,62,509	4,83,95,921	68,24,037	75,24,421	4,80,12,773	12,24,19,661
Working Capital—							
i. Stocks of raw materials	Rs.	13,80,208	2,58,25,378	27,58,692	22,28,207	1,05,51,138	4,27,43,623
ii. Stocks of finished products and by-products ..	Rs.	21,96,433	19,77,865	11,95,899	22,20,180	27,86,528	1,03,76,905
iii. Semi-finished products in stock or in process.	Rs.	72,728	6,76,760	13,344	2,25,288	13,15,590	23,03,710
iv. Cash in hand at the banks.	Rs.	7,74,670	59,86,435	10,17,347	27,872	1,15,03,591	1,93,09,915
TOTAL	Rs.	44,24,039	3,44,66,438	49,85,282	47,01,547	2,61,56,847	7,47,34,153
Total poductive capital ..	Rs.	1,60,86,548	8,28,62,359	1,18,09,319	1,22,25,968	7,41,69,620	19,71,53,814
4. Number of persons employed—							
(a) Workers		2,484	9,531	1,769	863	4,590	19,237
(b) Persons other than workers ..		286	1,123	181	153	891	2,634
TOTAL ..		2,770	10,654	1,950	1,016	5,481	21,871
5. Salaries and wages paid—							
(a) Workers	Rs.	21,76,260	1,02,30,447	17,92,737	9,46,985	44,36,402	1,95,82,831
(b) Persons other than workers	Rs.	5,19,418	42,73,569	3,59,902	4,44,602	25,77,250	81,74,741
(c) Money value of other benefits or privileges	Rs.	57,154	9,22,751	70,719	29,148	1,21,757	12,01,529
TOTAL	Rs.	27,52,832	1,54,26,767	22,23,358	14,20,735	71,35,409	2,89,59,101
6. Fuels, electricity, lubricants, etc., consumed—							
(a) Quantity—							
i. Coal	Ton.	16,080	246,325	33,331	21,835	134,789	452,360
ii. Electricity ..	K.W.H.	9,054,655	28,322,413	6,229,910	11,163,400	3,437,175	58,207,553
iii. Lubricating oils	Gallon	11,442	64,142	6,364	2,968	32,838	117,754
(b) Value—							
i. Coal	Rs.	5,29,526	56,88,267	10,44,478	6,11,380	34,63,660	1,13,37,311
ii. Electricity	Rs.	5,17,173	10,52,218	4,28,670	6,97,713	1,46,943	28,42,717
iii. Lubricating oils ..	Rs.	53,030	3,34,887	29,124	14,366	1,47,923	5,79,330
iv. Others	Rs.	3,92,862	1,46,757	1,05,662	2,881	97,306	7,45,468
TOTAL	Rs.	14,92,591	72,22,129	16,07,934	13,26,340	38,55,832	1,55,04,826

CENSUS OF MANUFACTURING INDUSTRIES, 1953—(Contd.)

PAPER AND PAPER-BOARD

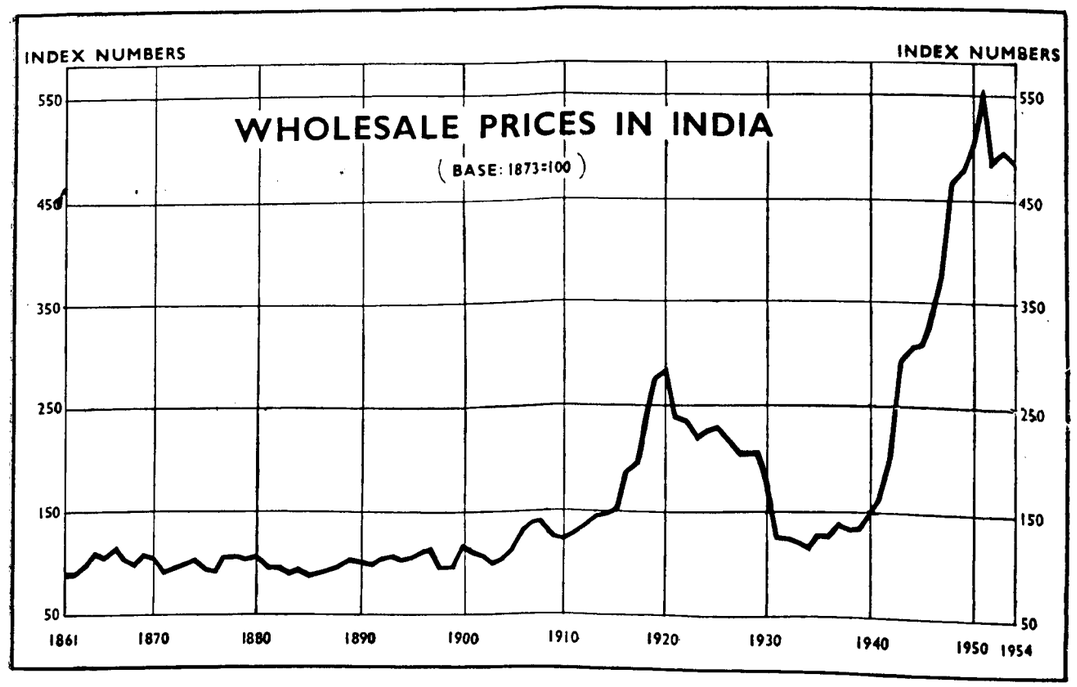
Item		Bombay	West Bengal	Uttar Pradesh	Bihar	Madras, Madhya Pradesh, Punjab, Orissa and Andhra	Total
1		2	3	4	5	6	7
7. Materials consumed—							
(a) Quantity—							
i. Pulp	Ton.	350	2,471	74	13,516	689	17,100
ii. Grass	Ton.	5,796	11,743	14,647	..	21,770	53,956
iii. Bamboo	Ton.	..	106,370	9	..	122,038	228,417
iv. Waste paper	Ton.	11,816	8,478	1,044	..	2,509	23,847
(b) Value—							
i. Pulp	Rs.	2,55,775	20,14,616	45,541	93,85,543	5,99,409	1,23,00,884
ii. Grass	Rs.	4,86,310	14,27,066	18,22,608	..	29,81,050	58,17,034
iii Bamboo	Rs.	..	98,80,654	939	..	45,22,901	1,44,04,494
iv Waste paper	Rs.	28,57,158	18,44,754	2,86,615	..	6,34,169	56,22,696
v Others	Rs.	30,04,654	2,36,70,884	34,61,733	3 0,34,190	1,72,62,885	5,04,34,316
TOTAL ..	Rs.	66,03,897	3,88,37,974	56,17,436	1,24,19,733	2,51,00,384	8,85,79,424
8. Amount paid to other concerns for work done for factory.	Rs.	50,839	7,04,388	..	1,16,034	..	8,71,261
9. Production							
(a) Quantity—							
i. Paper—							
(a) Writing and printing (except newsprint).	Ton	5,060	43,364	5,997	..	26,122	80,543
(b) Wrapping	Ton.	1,219	1,343	1,112	..	12,040	15,714
(c) Others	Ton.	509	3,321	1	1,102	4,314	9,247
Total ..	Ton.	6,788	48,028	7,110	1,102	42,476	105,504
ii. Boards—							
(a) Pulp	Ton.	3	4,515	..	..	..	4,518
(b) Duplex	Ton.	..	..	..	7,624	..	7,624
(c) others	Ton.	12,719	4,528	8,272	1,941	3,969	31,429
Total ..	Ton.	12,722	9,043	8,272	9,565	3,969	43,571
Total paper and paper board	Ton.	19,510	57,071	15,382	10,667	46,445	149,075
(b) Value							
i. Paper—							
(a) Writing and printing (except newsprint) .	Rs,	62,49,273	6,21,34,179	77,48,694	..	3,46,01,678	11,07,33,824
(b) Wrapping	Rs.	10,02,483	16,29,193	12,40,496	.	1,49,80,157	1,88,52,339
(c) Others	Rs.	6,56,612	1,17,83,955	1,481	14,88,638	55,36,750	1,94,67,436
ToTAL ..	Rs.	79,08,368	7,55,47,327	89,90,671	14,88,638	5,51,18,585	14,90,53,589
ii. Boards—							
(a) Pulp	Rs.	3,326	60,88,780	..	..	..	60,92,106
(b) Duplex	Rs.	.	..	..	99,39,273	..	99,39,273
(c) Others	Rs.	52,41,407	16,55,745	33,77,224	24,43,569	22,24,789	1,49,42,734
TOTAL ..	Rs.	52,44,733	77,44,525	33,77,224	1,23,82,842	22,24,789	3,09,74,113
Total paper and paper board ..	Rs.	1,31,53,101	8,32,91,852	1,23,67,895	1,38,71,480	5,73,43,374	18,00,27,702
iii. Other products	Rs.	24,986	..	..	18,96,082	25,94,232	45,15,300
TOTAL ..	Rs.	1,31,78,087	8,32,91,852	1,23,67,895	1,57,67,562	5,99 37,606	18,45,43,002
10. Amount received from others for work done	Rs.	..	54,966	..	—	4,653	59,619
11. Value added by manufacture—							
i. Ex-factory value of products and work done for others	Rs.	1,28,15,947	8,33,28,717	1,23,25,530	1,57,67,562	5,95,92,075	18,38,29,831
ii. Value at factory of materials, fuels, etc., consumed and work done for factory by other concerns (including the value of semifinished products or finished parts manufactured earlier but consumed during the year)	Rs.	83,00,652	4,67,05,187	74,62,559	1,38,94,917	2,89,66,358	10,53,20,673
iii. Depreciation	Rs.	9,20,584	38,87,509	5,35,812	6,49,447	40,33,380	1,00,26,732
iv. Value added by manufacture [i—(ii+iii)]	Rs.	35,94,711	3,27,36,021	43,27,159	12,23,198	2,65,92,337	6,84,78,426

INDICES OF WHOLESALE PRICES IN INDIA

(Base: 1873=100)

Year	Index	Year	Index	Year	Index	Year	Index
1860	..	1884	91	1908	138	1932	126
1861	90	1885	87	1909	124	1933	121
1862	90	1886	89	1910	122	1934	119
1863	98	1887	91	1911	129	1935	127
1864	111	1888	96	1912	137	1936	125
1865	107	1889	101	1913	143	1937	136
1866	115	1890	100	1914	147	1938	132
1867	103	1891	98	1915	152	1939	134
1868	98	1892	102	1916	184	1940	149
1869	105	1893	105	1917	196	1941	164
1870	102	1894	102	1918	225	1942	202
1871	93	1895	104	1919	276	1943	290
1872	98	1896	110	1920	281	1944	305
1873	100	1897	113	1921	236	1945	309
1874	101	1898	96	1922	232	1946	337
1875	94	1899	96	1923	215	1947	373
1876	90	1900	116	1924	221	1948	460
1877	104	1901	110	1925	227	1949	478
1878	106	1902	106	1926	216	1950	503
1879	104	1903	99	1927	202	1951	551
1880	104	1904	101	1928	201	1952	485
1881	96	1905	110	1929	203	1953	494
1882	92	1906	129	1930	171	1954	485
1883	89	1907	137	1931	127		

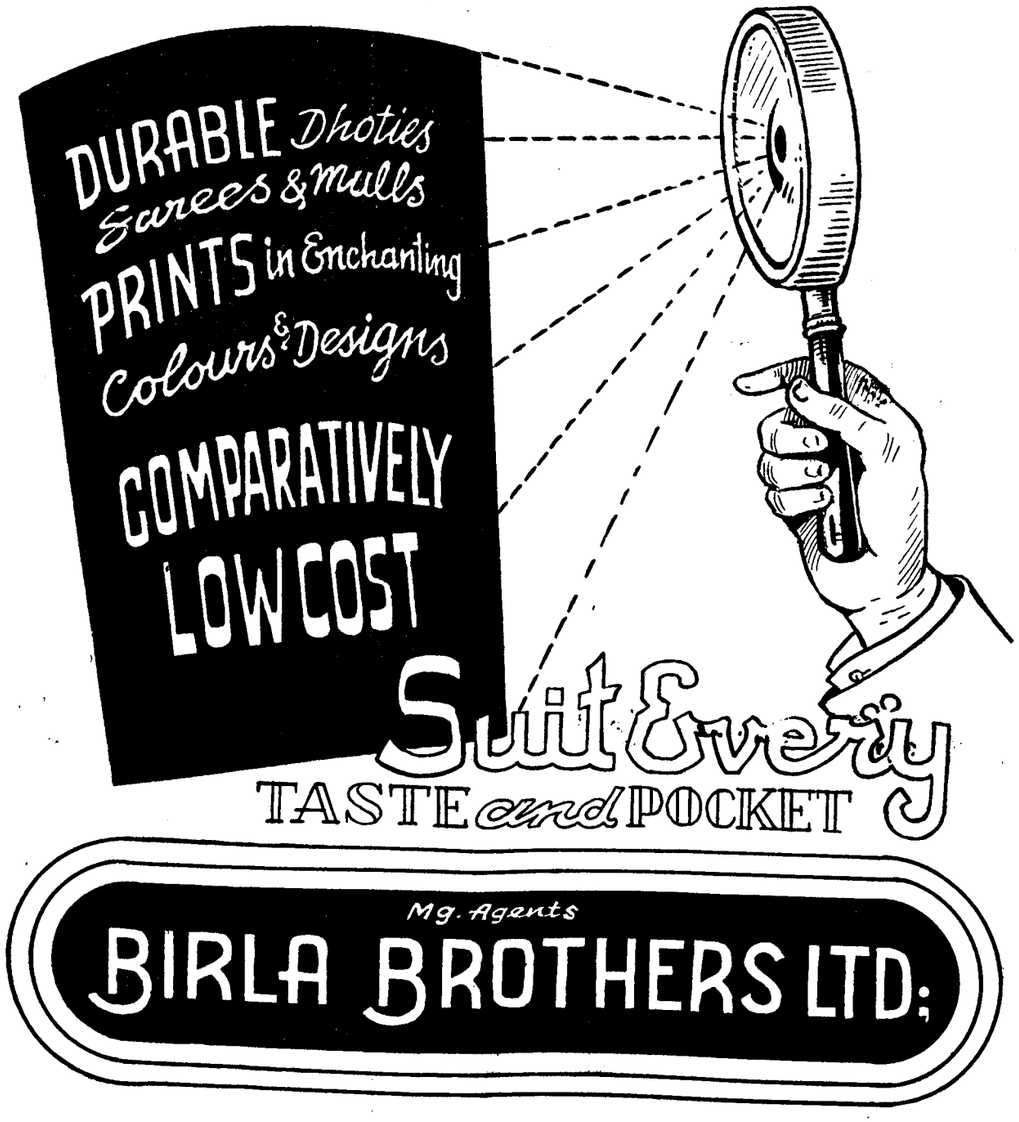
Note: Index numbers of prices in India (Unweighted arithmetic average price relatives of 39 articles) published by D. G. C. I. and S. Calcutta up to and including 1939, thereafter linked with Economic Adviser's Index Numbers of wholesale prices. **Courtesy:** Central Statistical Organisation



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India and the U.S.A. : Point-Counterpoint

BY a curious inversion at a time when the Russian leaders are in Delhi the spotlight has shifted temporarily to India's relations with the United States. Perhaps this is a proper reflection of the Russian presence; it is as if against the dazzling light of improving Indo-Soviet relations one begins to see more clearly the darkness of the background against which they must move and have their being. It would appear this is not only a Delhi reaction. This week Mr. Walter Lippmann, the best known in India of United States' columnists has spoken his mind bluntly in a piece described as "Poisoning Relations With India", which has attracted wide attention here. Whether the United States Administration accepts Mr. Lippmann's view or not, there can be no doubt that an authoritative voice raised in these terms will evoke some very considerable response in a country where, happily, the administration and the public are very far from being identified. Again, Mr. Lippmann's frank criticism of American policy on India should awaken Indian opinion to the point that there are signs of growing understanding in the United States and possibly a willingness to correct some errors of policy that have been made on the American side. This is the appropriate time for us to consider whether India's interests do not require some adjustment of our relations with the United States in order to correct the current excessive swing away from our "independent dynamic" neutrality.

Mr. Lippmann's views can be best stated in his own words. Speaking of the United States, he says:

"We have held that all nations must join our military alliances or be considered as fellow travellers on their way to becoming Communist satellites. This dangerous dogma has poisoned our relations with India, the greatest and the most influential of the free countries of Asia. It has earned us the reputation from Morocco to Indonesia of interfering in the internal affairs of the new countries in order to support factions which favour alliances with us.

"This official infatuation with military alliances has deeply misled the Administration and the Congress. For it has allowed them to believe wishfully that it was unnecessary to do anything important about the underdeveloped countries if only these countries had signed a military pact. The combination of military pacts which are extremely unpopular in all countries, and the withdrawal of economic aid, have left us wide open and vulnerable to the Soviet campaign. The Soviets give arms without demanding that people sign on the dotted line in military pacts. They are increasing their economic aid at the very moment when Mr. Hollister is trying to reduce ours.

"The trouble with all this is that it calls for new decisions at the very highest level, at the level where only the President can act. Is it possible for Mr. Dulles and Mr. Humphrey to make decisions of this magnitude, asking no more of the President than that he should give his consent?

"All one can say is that they had better put their heads together, and have a try. For in this new situation where the Soviet Union is an open competitor for influence and power in Southern Asia and in Africa, our position will get worse if the best we can do is to rely on our famous capacity for muddling through."

May not Mr. Lippmann's rebuke to his own country awaken some searchings in our own minds? We have not all been swept off our feet. That the presence of our distinguished Russian visitors has not obliterated a sense of proportion in the assessment of India's foreign policy is seen, for example, by an effective Indian voice. Writing editorially on the "Geneva Spirit" in its issue on Wednesday, November 23, *The Times India*, India's leading financial paper, presents the moderate and, one hopes, an official view on these matters. Speaking critically of the addresses delivered by Mr. Bulganin and Mr. Khrushchev before Parliament, the paper says:

"A strictly partisan approach heavily garnished with one-sided accusations never does any justice to the cause which it is supposed to serve. It is a method that carries the least conviction, particularly when designed, perhaps too consciously, to win over the support of a people who have uncompromisingly based their stand on non-alignment. If the "Geneva Spirit" has been dissipated, the Foreign Ministers, including that of the Soviet Union, and their Governments are primarily responsible and it is difficult to see how such dissipation may be arrested by accusing others of bad faith. When Mr. Khrushchev, with characteristic bluntness and a rather heavy-footed humour, remarked that the "Geneva Spirit" seemed to cause "indigestion to certain persons" he forgot that Mr. Eisenhower more than anyone else was responsible for the spirit the dissipation of which is being so publicly mourned by the Soviet leaders. There is a very obvious element of salesmanship in what Mr. Bulganin and Mr. Khrushchev have been saying and the usual reaction to such salesmanship is one of automatic resistance.

"This is most unfortunate since the non-aligned countries have no desire whatever to be converted to any point of view and would regard it as a compliment if they were left alone to judge and decide international issues independently without benefit of advice—however well-meant—from any quarter. It is only too easy for those who have failed to grasp the true spirit of the non-alignment policy to suppose that such a manifestation of Asian nationalism as anti-colonialism is identical with hostility towards the West."

If Mr. Walter Lippmann in the United States and the point of view expressed by *The Times of India* this week do represent—as seems to be certainly the case—large sections of non-official opinion in their respective countries, surely there is room for some concerted action to prevent extreme elements in either country from continuing to ride away with the bit between their teeth. There is no need to be dogmatic in our preferences. Co-existence means co-existence with everything.

At this time there is urgent need for recognising that friendship with all countries in the world which is our accepted policy necessarily implies non-exclusion of any country, least of all of one so important as the United States. It is necessary, therefore, to remember that the greater the current temptation to please our visitors, the greater is the need for caution so that we do not damage through haste or excessive sentiment some of our colder but larger economic interests. Up to a point it is good to play with the USSR and Communist countries against the Western world. We have called in a New World to redress the balance of the old. It is good to recognise, however, that beyond a point we would not be correcting a wrong balance, but positively creating one on the other side.

We need show no disrespect to our Russian visitors, whose first appearances in Delhi have been for many people profoundly exhilarating. They have, however, made for an Indian audience a profound mistake by an attempt to state their friendship in partisan terms. We as the host country need not rebuke them for this error; but we do need to indicate that silence in this case is not consent. We are not taking sides with either bloc. This is the time to make this clear to ourselves and to our friends abroad. A spirit of eternal open-mindedness is good for our souls. It was put by Mahatma Gandhi into wise words which today we will do well to remember: "I do not want", he wrote, "my house to be walled in on all sides and my windows to be stuffed. I want the culture of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any of them. Mine is not a religion of the prison house. It has room for the least among God's creations. But it is proof against insolent pride of race, religion or colour."

The New Coal Policy

THE conference convened this week by the Ministry of Production of the Government of India for the purpose of finalising coal policy for the next Five-Year Plan has succeeded in making confusion worse confounded. It will be remembered that over the last three months coal has occupied the centre of the controversy on the respective roles of the private and public sectors in a "socialistic pattern of society". It was expected—and representatives of the private sector were agreeable at all times to the suggestion—that the public sector should grow abnormally, not because this was in the national interest but because a political decision at the highest level had already been taken on ideological grounds. Since, however, the public sector is at the present time producing only three million tons of coal against the private sector's thirty-four million, one might have supposed that the proposal made by the industry to produce sixteen millions additional, leaving seven millions additional for the public sector, was reasonable after leaving all fair room for ideology. This proposal would allow the public sector to more than double its output; if its capacity had been proved, it might have had further opportunities by raising the targets during the Plan as, indeed, targets have been raised during the currency of the first Five-Year Plan.

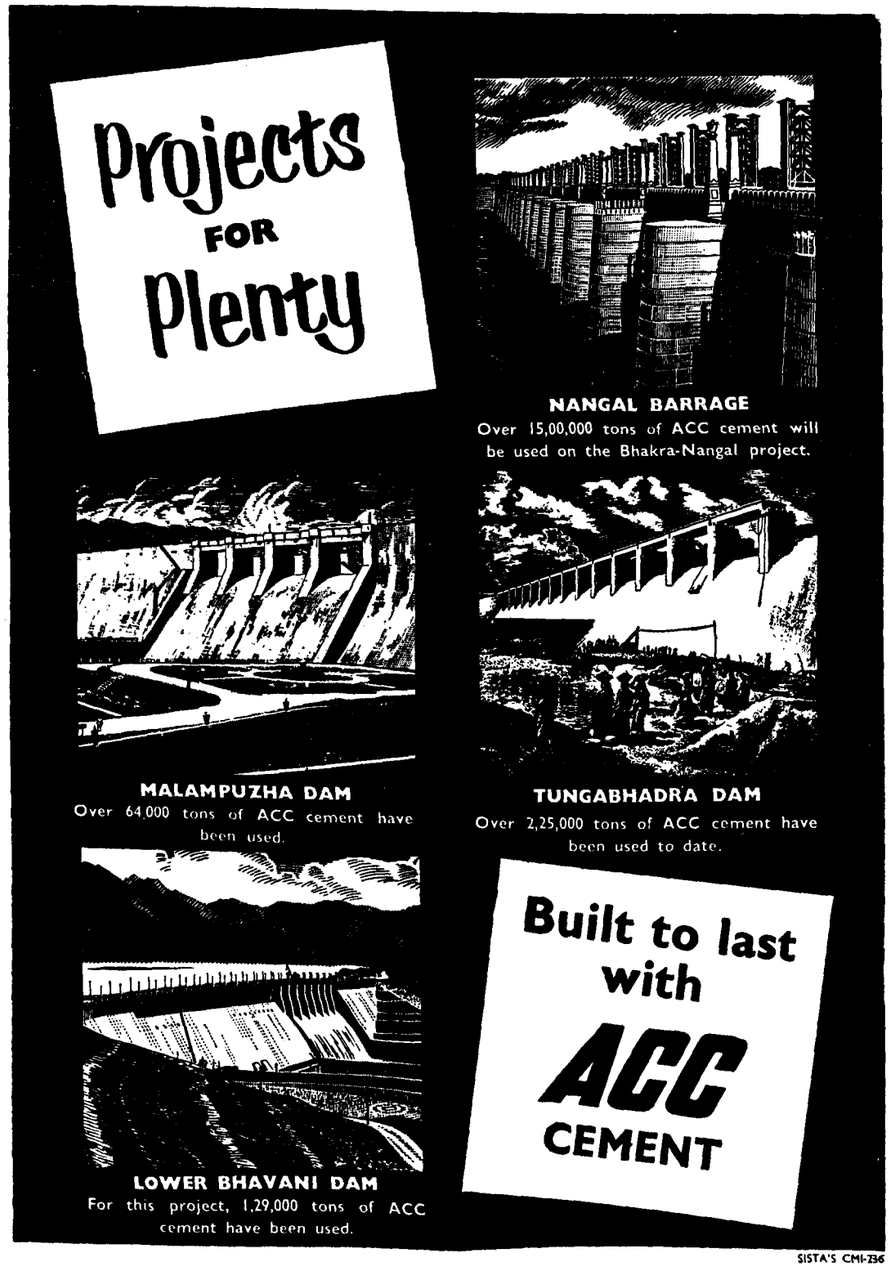
The handling of the second Plan's coal targets shows how baneful the hold of ideology still is upon our planners. In theory, the balance between the sectors is being held even; in practice it is being fiercely tilted one way. Three major issues arise out of this policy in its special relation to coal. The first is whether the current allocation of targets of eight million additional tons to the private sector and fifteen million tons to the public sector can be defended as being in the national interest. These targets imply that, whereas the private sector is allowed to extend its production by only 25 per cent, the public sector is being assigned, irrespective of its capacity, a production increase of 500 per cent. If the public sector had the requisite capacity and the private sector had not, this allocation might at least be defended on the ground that it corresponded with the facts. At the present time, these targets, so to speak, stand on their heads, because they invert the capacity of the agencies concerned. Leading authorities in the coal industry—and this assessment is accepted by some sections of the Government of India—have assessed the private sector's capacity (with suitable facilities, particularly transport and the availability of suitable contiguous areas) at anything between sixteen to twenty million tons additional in the next five years. No one considers the public sector 'good' for a similar figure. When there is a proved shortage of capacity in the public sector, why was it necessary to hold the private sector's new production to half its capacity?

Associated with the problem of targets is the question of the definition of the word 'contiguous' when applied to areas which are to be made available to the private sector. Leading coal authorities hold that while it is possible for eight million tons additional to be raised from areas in the private sector's hands, it will be impossible, with the current interpretation of the word 'contiguous', for a total production of about forty million tons per year to be maintained for any length of time. It is one thing to freeze private production at this figure; it is quite another to pretend to freeze it at this figure, but in actual practice to cut it back ruthlessly by the denial of facilities that are needed for the maintenance of production at this level. One method of cutting back production is a rigid definition of the word 'contiguous'; another is a restriction in transport. The last few years have shown that the public sector can be ruthless in protecting its own interests by its power in transport. Any examination of pithead stocks in the State-owned collieries and private collieries will show how dangerous it is for overriding power to be vested in one of the competitors in the field.

This raises the whole issue of the attitude maintained in the Coal Commissioner's Office which is primarily responsible for the administration of the State collieries as well as for control of the remainder of the industry. In Delhi there are separate Ministries for the public and private sectors. This healthy principle does not apply to coal. The Government of India has consistently maintained that because it has the political authority to enforce its decisions, there is no anomaly in the Coal Commissioner's being judge and jury in his own case. No fair judge of the decisions of the Coal Commissioner will admit that they have been unbiassed. But, irrespective of the judgment of the Coal Commissioner, there is here an unjust distribution of administrative authority which would need correction in any case. The competition between the private and public sectors is more heavily loaded here than in any other industry.

The issues involved in coal policy in the next five years are not only battles between the domestic public and private sectors. After all, these sectors are both Indian and might conceivably be both upholding the national interests, however differently they might construe that phrase. What seems to be a greater danger is the fact that the public sector having assigned to itself a task far beyond its current resources, will choose to negotiate with foreign countries to acquire the managerial and technical capacity which exists in the country but is not utilised for ideological reasons. Rumours are current in New Delhi that the Government of India is considering negotiations with certain European countries with the object of obtaining technical skill and collaboration for processes which are already known and which are actually being applied in this country by Indian firms and Indian technicians.

The Eastern Economist has never maintained the view that foreign capital and technical assistance should be barred from this country wherever a reasonable case could be advanced to show that the national interest would stand to gain thereby. It will not, therefore, on this occasion argue that the mere fact that the new associates are likely to come from Eastern Europe should affect the decision. The point in this case is that the requisite technical skill exists and capital for this industry is available in the country. There can be no possible justification for importing technical skill at some price in foreign exchange merely to satisfy the Production Ministry's ideological choice of a public sector partner. If the public sector must administer more than it can with indigenous public sector tools, it must borrow from the Indian private sector before it goes abroad. Foreigners should not be preferred to nationals on any account.



THE WEEK'S NOTES

A SHORTLIVED GENEVA SPIRIT?

HAS THE Geneva spirit completely evaporated after three months? All that the Foreign Ministers at Geneva could agree upon was the text of the communique, issued at the close of the conference, outlining the problems before them which have long defied solution. The complete failure on reaching agreement over the interlinked issues of German reunification, European security, disarmament and breaking down East-West barriers, was not entirely unexpected, though it has caused disappointment throughout the world. The Big Four Foreign Ministers had gone to attend the conference laden with the heavy responsibility of finding means to translate the "Geneva spirit" into tangible realities. But, whereas from the very beginning the two sides stuck to their respective positions steadfastly, real differences seem to have emerged with the return of M. Molotov from his briefing at Moscow. The Soviets abruptly changed their attitude on united Germany's participation in the NATO, and went further to reject the idea of German reunification through free elections in both sectors. To arrive at any positive conclusions in such circumstances would at best be a vain hope. It is, however, heartening that both sides recognize the need to keep the Geneva spirit alive.

Notwithstanding the total disagreement that has resulted, the conference has not failed to bring to the surface some aspects which may be helpful in future negotiations. On Germany, the Soviet position has become clearer than ever. But the Western Powers also may need to change their attitude if only to allay the misgivings among a section of the German people who believe that the inflexible Western position is a major stumbling block in their way of reunification. Talks on disarmament have been particularly useful, inasmuch as the Soviet Union should now have little reason to disbelieve that the West is sincerely seeking reduction in armaments on both sides. Against the background of such a better understanding of the position, the U.N. Disarmament Commission may be more effective and successful in carrying on its work. The Soviets have demanded pledges of not initiating an atomic war. The vast bulk of world opinion is not only against a possible atomic war, but the horrors of war fought with any weapons; there will be a wide desire for reduction of arms under proper supervision and control.

COMMONPLACES ABOUT THE COLOMBO PLAN

THE FOURTH Annual Report of the Consultative Committee of the Colombo Plan published this week says all the commonplaces on the subject known already. It records considerable progress in most of the countries of South and South-East Asia during the year 1954-55. Increases in production were particularly noteworthy in the agricultural and industrial fields. Although the precise data of national income for the year are not yet available, other economic indications show that there was a noticeable rise in national income and output. The rate of increase in national income and output was not, however, even between the countries in the area and in a few there was some setback in the financial situation caused largely by a fall in their export prices. But when the progress achieved so far is compared with the fundamental problem of raising the living standards of a rapidly increasing population, it is clear that much more remains to be accomplished. In fact, the development plans of these countries have a current and long-term problem to meet if opportunities for employment activities beneficial to the economy are to be created. All these things are not new and no one believed that the limits of development would have been reached; the Report only says that development has just begun.

Discussing the need for funds for financial development, the Report observes that, while the need for capital from outside the area remains, the closely linked problem of mobilising domestic resources is of paramount importance. This is true both for public and private capital and for development in the public as well as the private sector. As regards resources from which additional capital could be found, the Report makes mention of the possibility of making use of agricultural surpluses on mutually agreed terms to supplement available resources. But can it be really feasible?

Considered in context of India, the Colombo Plan has been entirely marginal to India's national development plans, the scale of which has outstripped many times the total Colombo Plan Assistance Programme. Though the decision of extending the Colombo Plan from July 1957 to June 1961 is to be welcomed, it remains to be seen how far it would be helpful in meeting India's needs of foreign capital for the second Five-Year Plan.

PROBLEMS OF INTEGRATION IN PAKISTAN

IN AGREEING to a strong Centre in the future set-up of Pakistan, the United Front members in the Muslim League-United Front Coalition Parliamentary Party, appear to have backed out of their pledge to the people of East Pakistan to strive for regional autonomy. That promise was, perhaps, the greatest single factor responsible for the United Front victory in the East Bengal elections held early last year. Even while discussions on the subject were in progress at Karachi, protests were pouring in from East Pakistan against such a decision. Hitherto, the United Front's stand had been that the Centre have control over the three subjects of defence, foreign affairs and currency. The present decision provides for Centre's control over additional 23 subjects including industries, insurance, mineral oils, etc. According to the present indications, it would not be surprising if the United Front Party develops a rift within its ranks, which would render the coalition itself weak. Already, it is known that on some other important constitutional issues, full agreement does not exist between the parties to the coalition, which has delayed the finalisation of the draft constitution. The only question is whether these elements can rally round Mr. Suhrawardy or will find a new leader.

For some time past, there have been some rapid developments of far-reaching consequence in Pakistan affairs. Relations between her and Afghanistan, which had considerably improved with the amicable settlement over the flag incidents, have again greatly worsened since the integration of West Pakistan into a single administrative unit. The two countries have recalled their envoys and have launched a campaign of mutual accusations. Pakistan has characterised as legally indefensible the Afghan demand that the Pathans of the N.-W. Frontier areas be allowed to express their views freely on the setting up of an independent Pakhtoon State. Thus Pakistan faces problems on two sides in achieving full integration of her areas and outside observers may often feel that these could have been minimised by a conciliatory approach. At present there is a tendency to seek out inimical designs in quarters where there are none.

RABAT IN RAGE

IN PUTTING to death in cold blood the Caliph of Fez and a few others the indignant Moroccans have underlined their intense hatred for all those who have directly or indirectly supported the French colonial rule. The Caliph was attacked and killed within the Palace premises of Sidi Mohammed Ben Youssef where he had gone to tender apologies to the Sultan for past actions. Violent disorder continues, resulting in heavy loss of life. Obviously, the Moroccans are not in a mood easily to pardon the erstwhile pro-French elements nor has their zeal for freedom diminished. The return to the throne of the Sultan, which had become a basic issue, is, in itself, a great and significant achievement for the Nationalists. For the French, it was a delicate matter, involving the loss of face. More than that was, perhaps, the opposition from the strongly entrenched French settlers in Morocco who enjoy influential backing at home.

The French Government deserves praise for the boldness with which it has solved the first and the more difficult part of the North African question, thus clearing the way for a settlement. The second stage of the problem has now arrived. The Moroccans desire to see in practice what the Sultan has described as the "end of the regime of tutelage and protectorate". They have yet to understand the meaning of vague French declarations like "independence with interdependence". There may not be much reason to doubt the intentions of France at this stage. But if she should be thinking of negotiating a settlement along the Tunisian lines, and insist on that, it is more than likely that there will be more trouble in store. Then even the Sultan, who has, undoubtedly, been enjoying the solid backing of the Moroccans, may not be effective in persuading his people to remain calm; for he draws his strength from having refused to side with the colonialists.

Economic Report from the U. S.

EXPANDING FOREIGN TRADE PROSPECTS

(By Guy Sims Fitch)

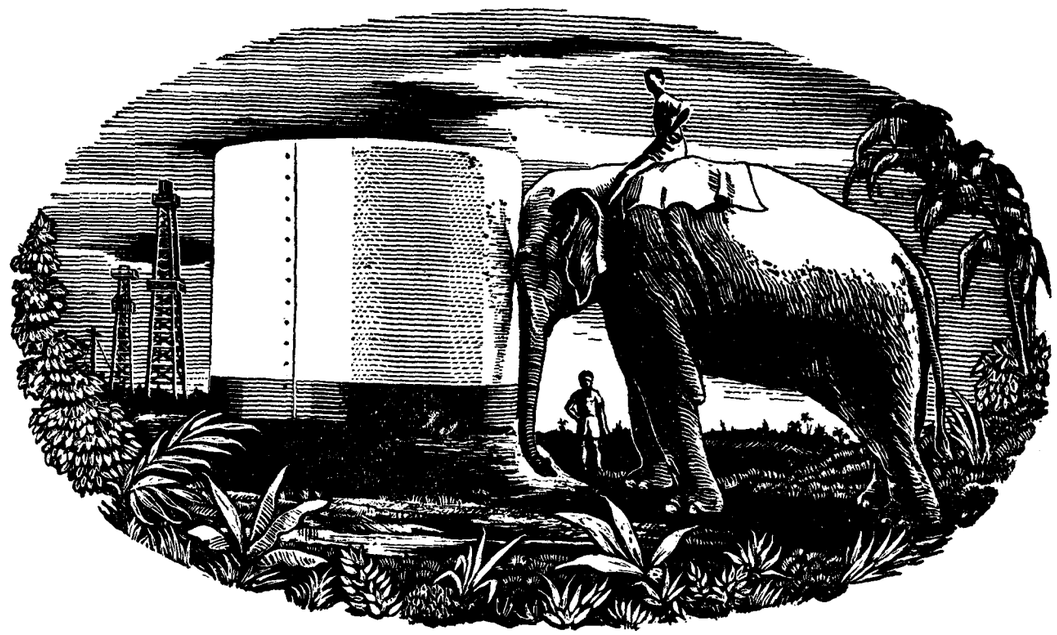
WASHINGTON, Nov. 22.—By now it is abundantly clear that the U.S. economy is on its way to record achievements this year. And since domestic and foreign economic activity are inextricably linked, it should cause little surprise that U.S. foreign trade also is headed for a record year. The past week has seen reaffirmation of long-standing Government policies that have helped make these attainments possible. At the Annual Convention in New York of the National Foreign Trade Council, a private business group and again in hearings before a committee of the U.S. Congress Government officials took occasion to support those liberal trade policies that have long been part of U.S. thinking and have been substantially advanced by the Eisenhower Administration. These policies, aimed at expanding the flow of international trade and investment, have helped create conditions favourable to the rise of U.S. commerce with the rest of the world. So far this year, U.S. imports have been running some 8 per cent ahead of last year. With $8,300 million worth of goods entering the country in the first nine months of the year, there is little doubt that imports in 1955 will pass the $11,000 million mark for the first time in history.

The 2,400 business men who attended the Foreign Trade Convention were all but unanimous in this appraisal. They also were optimistic over foreign trade prospects for next year. Most of them supported the view that 1956 would see another gain in imports, with some estimates going as high as $11,500 million. One does not have to look far for the reasons. Not only is the domestic economy expected to maintain its growth, but the Government is laying the groundwork for continued expansion of trade and investment. One important development, for instance, will be the sessions in Geneva early next year of the General Agreement on Tariffs and Trade, in which the U.S. and 25 of its trading partners are expected to participate. The U.S. Government is ready to offer further substantial duty concessions on some 1,000 items representing 40 per cent of dutiable American imports. This will advance the trend towards reduction of trade barriers—a trend that has seen U.S. tariffs on dutiable goods drop, on the average, from nearly 60 per cent in 1934 to 11.5 per cent in 1954.

U.S. business men also are optimistic about exports which, like imports, have been on the rise this year. Opinions expressed at the Foreign Trade Convention indicate that nations in virtually every part of the world will provide larger markets for American goods as their economic activity continues to rise. A few of those mentioned were several countries of Western Europe, Argentina, Mexico, India, Japan, the Union of South Africa, Iraq and Kuwait.

All these anticipations could come to naught, of course, if economic activity in the U.S. were to be impaired. At the moment, there seems little likelihood that this will happen. Government policy in the past year has been aimed at keeping the economic upsurge on a healthy plane, forestalling a runaway that might lead to later disaster. Thus, several U.S. Federal Reserve Banks last week raised their rediscount rate, for the fourth time this year, from 2.25 per cent to 2.5 per cent. While not a major move, this action nevertheless will tighten up on lendable funds. Taken in response to the extraordinarily high levels of economic activity, it can be described as another step to keep the increasing demand for goods—as evidenced by the soaring rates of consumer spending and business investment in plant and equipment—from outrunning available supplies.

There is nothing hard and fast about this policy of restraint. Treasury Secretary George Humphrey stressed again last week that the Administration's monetary policy is a flexible one. At the moment, restraint is the order of the day. But the Administration will not hesitate to ease its monetary curbs if signs of an economic letdown should appear. This flexibility in domestic policy, combined with the strength of the economy, has helped banish the ghosts of past economic disasters from the American scene. In conjunction with liberal policies in the foreign economic field, it lends a substantial measure of assurance to the belief that other countries will continue to find healthy and growing markets for their products in the United States.



It's a BIG job....
running an oilfield

Many special kinds of skill are required to keep India supplied with oil, from the study of fossils to the operation of complicated plant in refineries—and not excluding the care of elephants.

Consider the complexity of the Assam Oil Company's operations at Digboi, in north-east India. Here, at India's first and hitherto only oilfield, nearly a thousand wells have been drilled into the earth's rocks—a total of over 300 miles of hole. More than 600 of these wells still yield oil regularly, modern production techniques ensuring that the maximum amount of crude is recovered from the field. Science and engineering skills guide every phase of the company's work, nowhere less than in Digboi refinery which in a single day supplies the Indian market with over 250,000 gallons of high-quality petroleum products. In all branches of this full-scale industry the Assam Oil Company employs nearly 9,000 persons, while many hundreds more are engaged in serving the consumer.

Yes, the day-to-day running of the oil industry is a big job. To keep it running the Assam Oil Company has to spend crores of rupees just in "looking ahead." For no oilfield lasts for ever, and in order that India's vital flow of oil may be supplied to an increasing extent from India's own resources, the company is constantly exploring for new sources of petroleum.

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A Window on the World

WHO WINS THE NOBEL PRIZES?

By

ODYSSEUS

AFTER THE RECENT ANNOUNCEMENT of the 1955 Nobel prize-winners, I picked up the "British Journal of Sociology", a forbidding publication the footnotes to whose articles are apt to take up more space than the articles themselves, and was enthralled by an article, "The Nobel Prizes for the Sciences, 1901-1950", by Leo Moulin. The facts which follow are taken from this; the comments are mine.

Between 1901-1954, 164 scientists of various nationalities have shared 148 Nobel prizes in physics, chemistry, and medicine-cum-physiology. One of these was an Indian: Sir C. V. Raman who won the physics prize in 1930. Germany tops the list of prize-winners with 39, Britain is second with 31, the U.S.A. third with 27, France has 16, and other European countries together collect 51.

Does the success of Germany, Britain, and the U.S.A. in topping the list in that order tell us anything about German, British, or American capacities? Why do India and Portugal figure at the bottom with only one award each? Does it matter? Or are the Nobel prizes awarded by a closed circle of Western academicians who get together to ensure that the annual share-out of the handsome prize money falls into the right hands?

FAVOURITISM IN THE AWARDS?

The name of a candidate for a prize is submitted to the Swedish Academy by the academic authorities of his own country. It is therefore inevitable that considerations other than the purely scientific play some part in the selection. There may be personal rivalries and cliques or racial or religious prejudices to influence recommendations. But if we admit that this means that the Nobel winners do not include all, or even the most deserving, eminent, it does not mean that the 164 winners do not belong to an important group of exceptional men, who have had great influence in their own spheres. The analysis that Mr. Moulin offers of the sociological characteristics of this group of scientists has much to tell us.

The facts rebut other objections sometimes heard, e.g. the alleged boycott of Germany after World War I (in fact, Germany received prizes in 1918-19-20-21-22); the alleged sympathy for Scandinavian countries (the figures here are: Sweden 6, Denmark 5, Finland 1, Norway 0); and the alleged Western solidarity which would explain the avalanche of prizes for the U.S. scientists in recent years (which I will explain later). The award of the Peace prize to Carl von Ossietzky despite the wrath of the Nazis is evidence of independence in the selection. Russia started off well under the Czars with prizes in medicine but the U.S.S.R. forbade Soviet scientists to compete. Finally, scientific equipment is so expensive now that the chances of poorer countries are to that extent limited.

Nobel prizes have often been awarded to two scientists simultaneously. In the statistical tables, each individual has been counted as one, and not as a fractional prize-winner, since a share in the prize is just as great an honour as a whole prize. At the same time, when a prize is awarded to a team working together, it is clear that the Swedish Academy wishes to honour the whole group, so that the tables reckon a shared prize as one unit to a country. Thus, allowing for shared prizes among individuals, we find that of the 164 scientists who received awards in 1901-1950, 39 were Germans, 31 British, 27 Americans, and 16 French. But of the 148 prizes which these 164 scientists won, 33.5 went to Germany, 22 to Britain, 16.85 to the U.S.A., and 12 to France. The different ways of reckoning alter, it is interesting to note, the relative percentages of each country, but not their order.

The tables reveal that the leading countries do not shine equally in all fields. Although Germany's leadership in chemistry is shown by 19 prizes (37.2 per cent of the prizes in chemistry so far awarded), she is less successful in physics (22.2 per cent) and medicine (where she drops to 13.5 per cent), as compared with Britain, which although securing only 13.7 per cent of the chemistry prizes has 24 per cent in physics and 18.6 per cent in medicine. The disparity in American leadership is even more marked with 20.3 per cent for the prizes for medicine and much lower figures for physics (14.8) and chemistry (13.7). The tables also show that chemistry secured for Germany almost half

TABLE I.

NOBEL PRIZE WINNERS, 1901-50
NATIONALITY OF INDIVIDUAL WINNERS

Country	Physics	Chemistry	Medicine Physiology	Total
Germany	12	19	8	39
Great Britain	13	7	11	31
United States	8	7	12	27
France	6	6	4	16
Switzerland	2	3	4	9
Netherlands	4	2	2	8
Austria	2	2	4	8
Sweden	2	3	1	6
Other Countries	5	2	13	20
TOTAL	54	51	59	164

TABLE II.

PERCENTAGE OF WINNERS, 1901-50,
TO EACH COUNTRY

Country	Physics	Chemistry	Medicine Physiology	Total per cent
Germany	22.2	37.2	13.3	23.7
Great Britain	24.0	13.7	18.6	19.0
United States	14.8	13.7	20.3	16.4
France	11.1	11.7	6.7	9.7
Other European Countries*	24.4	23.5	35.5	28.0

* Switzerland, Netherlands, Austria, Sweden, Belgium, Denmark, Finland, Hungary, Italy and Portugal.

of all the Nobel prizes that she won; physics 42 per cent of Britain's prizes; and medicine and physiology 44 per cent of America's prizes.

HOW ENVIRONMENT AFFECTS SCIENTISTS

Table III strikingly suggests the effects of political and economic factors on the level of accomplishment among scientific workers. The table covers three historical epochs: (1) 1901-1918 which witnessed Germany's efforts to grasp economic and military hegemony, including the four years of World War I; (2) 1919-1939 which include the world depression and the rise and explosion (for so I would call it) of Nazism and racialism in Germany; and (3) 1940-1950, including six years of world war, defeat for Germany, the pains of adjustment in Europe, and the outburst of prosperity in the U.S.A. Table III shows that the 1914-13 war, which was not fought on German territory, and its economic and political consequences, did not rob Germany of her leading pre-war position, but reduced it from 32 to 25 per cent. Racial persecution and the material disasters of World War II, followed by partition, have, at any rate for the time being, reduced Germany to third place below the U.S.A. and Britain. The U.S.A. raced ahead from 3.8 per cent in 1901-1918, to 15 per cent in 1919-1939, into the lead with 41.1 per cent in 1940-1950. Britain advanced steadily from 15.1 per cent to 22.2 per cent, to fall back slightly to 20.6 per cent—a remarkably small toll for her post-war economic and social strains. The small European countries keep their end up throughout these three epochs, and thereby bring out more clearly the progressive inter-war decline and post-war eclipse of France in scientific leadership.

The number of prizes won in one year by one country may be an indication of the extent and variety of its scientific research. It is therefore worth noting that only twice have the three prizes all been won by the same country: Germany in 1905 and the U.S.A. in 1946. Germany won two of the three prizes seven times: 1901 (physics and medicine), 1909 (physics and chemistry), 1910 (chemistry and medicine), 1918 (physics and chemistry), 1931 (chemistry and medicine). Britain has won two prizes five times: 1904 (physics and chemistry), 1922 (chemistry and medicine), 1929 (chemistry and medicine), 1937 (physics and chemistry), 1947 (physics and chemistry). The U.S.A. has done so twice: 1934 (chemistry and medicine), 1944 (physics and medicine).

We will continue our examination of these interesting statistics next week and seek to draw some useful conclusions from them.

TABLE III.

NOBEL PRIZES FROM 1901-18, 1919-39, 1940-50

Countries	Total 1901-1918		Total 1919-1939		Total 1940-1950	
	Nos.	%	Nos.	%	Nos.	%
Germany	17	32.0	18	25.0	4	11.2
France	11	20.8	5	7.0	—	—
Great Britain	8	15.1	16	22.2	7	20.6
United States	2	3.8	11	15.3	14	41.1
Other European Countries	15	28.3	22	30.5	9	26.8
TOTAL*	53	—	72	—	34	—

* Plus 2 Prizes to Russia during 1901-1925 and 3 Prizes during 1926-1950, to the Argentine, India and Japan respectively.

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A DELHI DIARY

MASSES AND ENERGY

OUR distinguished Russian visitors have come, seen, and have (temporarily) departed. Have they conquered? This question I see is being asked in Bombay as much as it was whispered here. What is the significance of the enormous crowds that have turned out both in Delhi and Bombay to see and acclaim Mr. Bulganin and Mr. Khrushchev? I see that numbers in Bombay have equalled ours, the latest estimate being that a million people in all turned out on the streets of Bombay on November 23. Not very tactfully, mention was made in one paper of a "mass of humanity". A mass tends to be an inert quantity, or (since the Theory of Relativity) has a mass become active by the fact that mass and energy are interchangeable? Perhaps the reference to a mass of humanity in Bombay was really an intelligent use of the relativity metaphor. I find no fault with ideology; Heaven knows ideology has been so abundant that there is no reason why the (gentle) Press should be excluded from its pressure. Only I find the phrase "mass of humanity" intriguing as suggesting the passive state, in which the masses existed in the days before they became an active political agent. Now, of course, everything is different. The masses are 'the people' and the voice of the people is the voice of God. Theoretically, they can do no wrong.

Unhappily for Bombay the behaviour of the masses or the mass of humanity (or should I merely say the mass?) in the few days before the 23rd did not give the impression, either in Bombay or in Delhi, that the masses spoke with the voice of God. Throughout two days there were disturbances of a kind which have shocked sensitive consciences all over India. Six transport buses were reduced to ashes, twelve persons were killed and three hundred hurt in rioting off and on in two days. Thus the fair name of Bombay has been sullied by a display of mobocracy which has a few parallels in recent years. Eventually, the Bombay Legislature which met to consider the States Reorganisation Commission's recommendations was adjourned on the fourth day of its special session without taking any decision on the official resolution accepting the Working Committee's proposals. It may well be that this was the wisest course; discertion is often the better part of valour. But if it was, one wonders whether on issues of this fiery kind, democracy in India is a real solvent. Nothing has in fact been settled. The Maharashtrian members of the Bombay Legislature all resigned in a bloc and solidarity has thus been proved. One can go further and say the non-inclusion of Bombay City in Maharashtra is not a matter which can be assumed to have been accepted either with good or bad grace by the Maharashtrians in or outside Bombay. With what result? Is solidarity and provincial obstinacy the highest of all values?

I am not here concerned to argue whether the Three State Resolution on Bombay is right or wrong. I do not know enough about its merits to assert that it is final or the correct solution. What seems to me to be important is that any action, correct or incorrect, of the Central authorities should be treated with the respect which comes from the recognition that it is a proposal of the highest authorities in the land to which the mind and not the torch must be applied. To refuse to discuss an issue may be discreet but it is not democracy. It is right for the Maharashtrians to use every democratic method they can employ to have their point of view accepted. It is wholly wrong that they or anyone else should have chosen the method of violence and disorder; and afterwards that they should have declined to play. I cannot help feeling that the events of the last ten days have done permanent harm to the Maharashtrian cause. There were many in Delhi who were quite prepared to allow their case. Now there is hesitation because it is believed that Maharashtrian leadership has failed and the fears in the surrounding country that violence might be employed will make Gujarat's acceptance of a Maharashtrian Bombay much more difficult. The business community at the moment seems unaffected; the Bombay Stock Exchange continues to boom. But this reflects not faith in Maharashtra but its absence. Indeed it is prompted by the belief that the Central Government is determined to stay in Bombay. It may well be that opponents to Maharashtrian Bombay have steeled the hearts of the administration both in the Centre and in the State not now to give in; what has Maharashtra gained?

I will make no further comments on the linguistic issue except to say there are many people in Delhi who now consider that a major error was made in appointing the States Reorganisation Commission. There are even some who think that the States Reorganisation Commission, having been appointed, made a serious mistake in adopting the linguistic principle. Is an error after an error in Platonic language twice removed from the truth as is a report of an event? I will not venture to make any judgment on this complicated issue!

I see that having involved myself cheerfully in Bombay politics I have forgotten to answer the question that I asked at the beginning of the significance of the crowds that have turned to greet Mr. Bulganin and Mr. Khrushchev. Discretion for me, as for the Bombay Legislature, would, perhaps, have been a mark of wisdom. But true to my reputation for foolhardiness I venture an opinion. The opinion is that the enthusiasm was almost entirely prompted by curiosity mingled perhaps, in a few cases, with a lively sense of favours to come. One of my genial domestic helpers was most disappointed to find that they looked Europeans. He had expected Asians. Perhaps he was an exception, but to the historically uninitiated, one White man is very like another! They operate under a handicap. Now that our Russian visitors have been welcomed in what my clerk friend called "right royal" style, there has been a noticeable drop in the temperature!

SUFFICIENT FOR THE DAY

As a significant tailpiece, I repeat a conversation between Mr. Khrushchev and a member of the Punjab Legislature who was introduced to him at Ambala "as a member of the Assembly and a Communist". Mr. Khrushchev shook hands warmly with the member and said, "I am not concerned with your political views; that is your internal affair. You are an Indian and that is enough for me". Could peaceful co-existence go further? Is this co-existence palatable to the Communist Party of India? Can it be that there is now the virtue of being an Indian greater than all virtues, or is it so much on the plus side that it offsets every minus? I am getting confused: but this is the arithmetic of co-existence. Like nuclear physics, which has a geometry of its own, Panchshila employs the new algebra!

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WORLDGRAM

AGRICULTURE

British Farm Machinery for Australian Rice Scheme: Special rice-farm machinery developed by a well-known British firm of agricultural machinery makers is to be tried out in Australia's tropical Northern Territory, where an important rice cultivation scheme is now under way. An extremely high potential is indicated by experimental rice cultivation in this area, about 40 miles south-east of Darwin. From one variety of rice an average of 500 grains per plant have been obtained, compared with the average of 280 grains in the United States. The project, which was begun with 25 acres, is expected to cover 50,000 acres in two years' time. A considerable degree of mechanization is planned. Tractors and bulldozers are being employed to prepare farms for rice cultivation. It is proposed to use combine-harvesters to reap and thresh the crop when the scheme is developed.

INDUSTRY

New Process to Extend The Use of Collapsible Tubes: Collapsible tubes are being increasingly used as containers for a wide range of products such as pharmaceutical preparations, cosmetics, adhesives and foodstuffs. Recent experiments have resulted in a new technique for the bulk production of tubes with internal wax coatings of between 40 and 50 grams per square metre. This, it is claimed, will enable a number of products, whose chemical properties have hitherto made it unsuitable for packing, to be marketed in the new heavier-waxed tubes with complete safety.

*

Production of Moisture-Proof Film in India: A new moisture-proof transparent Film Plant recently went into operation at the Rayonpuram factory of the Travancore Rayons, Ltd. With the rise in consumer goods production in India in the last few years, demand for more attractive, and more functional, packaging material has grown. The moisture-proof transparent film has several qualities which are lacking in ordinary wrapping paper. By a special process a thin coating of a mixture of lacquers, plasticizers, gums and resins is applied to transparent film, which then acquires the property of a repelling water vapour and moisture. It also becomes 'heat sealing', i.e., a hot iron run along the seams of a package or envelope will seal it completely. Moisture-proof transparent paper is being used for packaging biscuits, dried fruits and food, sweets, confectionery, cigarettes, cigars, coffee powder and tea dust.

*

A Draft Standard for Paper Insulated Cables: A draft Indian standard specification for paper-insulated cables for electricity supply has been prepared by the Indian Standards Institution and circulated for eliciting comments. This is the fifth of a series of Indian standards on insulated wires and cables, four of which have already been published. Paper-insulated cables are used largely for making electrical interconnections in power stations, sub-stations and mines, for consumers' services and for underground distribution of electric power from power stations to sub-stations in different parts of a town. The entire requirement of the country for this type of cables is being imported at present but plans for the large-scale production of these cables by one or two new factories are under way. It is expected that this draft standard, when finalised, will be of help both in regard to the import of such cables from abroad and in assessing the quality of the indigenous product.

Rise in U.K. Steel Production: The United Kingdom's steel production in October averaged 399,590 tons per week, compared with 374,500 tons per week in October last year. Pig-iron production averaged 249,200 tons per week, compared with 230,700 tons per week in October last year.

*

£11 Million Dam for North Iraq: The Iraqi Development Board has accepted an 11,474,258 dinars (at par with sterling) group tender of a U.S. company to build the Derbend-I-Khan dam in North Iraq. The Derbend-I-Khan dam is the principal item in one of the largest irrigation projects in Iraq and will be built across the Diyalah-Sirwan River in the Sulaimaniya area of North Iraq.

*

Scandinavians Plan Joint Atomic Institute: Plans for an atomic institute for theoretical atomic research, common to the Northern countries, are to be discussed at the session of the Northern Council in January. The institute would be located at the Niels Bohr Institute in Copenhagen.

*

Swedish Method World Standard for Foundry Tests: The Swedish standard for cast-iron tests has been recommended for acceptance as future world standard at the recent meeting in London of the International Committee for Testing Cast-Iron following upon investigations of a special committee. The Swedish method for foundry standard tests implies casting a general gauge bar of the iron to be used and giving supplementary information in the form of graphs treating the expected values of resistance in the finished product under different conditions, varying with the dimension and mode of fabrication of the goods.

*

Draft Standard for Rim Latches: The Indian Standards Institution has circulated a draft Indian standard specification for rim latches for eliciting comments. Rim latches are used mainly on interior doors of buildings, normally not required to be locked, such as those of bath rooms. This draft standard, which lays down requirements regarding sizes, shapes, dimensions, material, construction, finish, etc., is intended to serve as a guide to the purchaser in selection of types which would serve his purpose adequately. The draft also defines the standard dimensions of a rim latch; thus a 4" rim latch would mean that the length of the face across the body should be 4".

*

Rupees 11 Lakhs for Rail Doubling Project Aid to Steel Expansion Schemes: The broad-gauge railway line between Gardhrubeswar and Joychandipahar, on the South-Eastern Railway, is to be doubled at an estimated cost of Rs. 11,35,000. The doubling of this short section of the South-Eastern Railway is one of the many additional facilities required in connection with the expansion programme of Messrs. Tata Iron and Steel Company, Ltd., and the Indian Iron and Steel Company, Ltd. This doubling is ancillary to the main line doubling works which are already in progress between Anara and Gardhrubeswar, and Joychandipahar and Burnpur.

TRADE

Protection to Starch Industry to be Discontinued: The Government of India has accepted the Tariff Commission's main recommendation that protection to the starch industry need not be continued beyond December 31, 1955, and will take steps to implement it in due course. The Commission has also recommended that if, as a result of a relative decline in prices of maize in foreign countries or any other factor, the

industry finds itself unable to meet foreign competition, it may apply to Government for a review of its case; and that any instance of dumping by foreign suppliers of starch or sago flour may be brought to the notice of the Commission direct.

*

Foreign Trade of India by Land During September 1955: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during September, 1955, are as follows: Exports to Eastern Pakistan, Rs. 18 lakhs; exports to Western Pakistan, Rs. 19 lakhs; exports to other countries, Rs. 1 lakh; imports from Eastern Pakistan, Rs. 281 lakhs; and imports from Western Pakistan, Rs. 21 lakhs. The total value of exports fell short of imports by Rs. 264 lakhs.

*

Rich Export Market for Japanese Toys: Japanese toys are in great demand in many countries of the world. During the past one year, Japan produced about 20,000,000,000 yen ($55,555,555) worth of toys of all kinds. Of this, she exported 6,200,000,000 yen worth to the United States; 700,000,000 worth to Mexico; and 300,000,000 worth each to Venezuela, Singapore and the Netherlands.

*

Cotton Import From Non-dollar Areas: The Government of India has decided to permit, with immediate effect, import of cotton stapling 1¼ inches and above from non-dollar areas against production of evidence of purchase from overseas suppliers and against firm sales to the mills. Varieties of cotton qualifying under the stipulation of 1¼ inches and above will be Karnak, Menoufi, Peruvian Pima, Sudans up to XG 4L and G5s, Sudan private estates up to grade four, Abyan cotton grades one to five, Giza 30 fully good and better.

*

German Cars for Sweden: Sweden is to abolish its limitations on the import of German cars. This is part of a trade agreement that has been initialled with Germany. The agreement is valid until June 30, 1956. In return, Sweden will be allowed to export 250,000 metric tons of corn to Germany.

*

Terms of Indian Payments to American Exporters: Most American exporters sell to India on cash or letter of credit basis. A recent survey shows that only 25 per cent of those shipping give credit terms. They report that payments are prompt and regular. The general opinion is that India should have a high credit rating and be eligible for best possible terms. The one large obstacle to a change in this direction is the Indian law making exporters, who sell on credit, liable to Indian income-tax. Some firms in New York say that New Delhi has been pressing them for several years to pay tax on time sales transacted entirely in New York with Indian agents.

FINANCE

Customs and Excise Revenue Collections in September: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in the Indian Union during September 1955 amounted to Rs. 14.16 crores as compared with Rs. 13.02 crores in the corresponding month of the previous year. Of the total customs revenue collections, import duties accounted for Rs. 10.29 crores as against Rs. 10.42 crores, export duties for Rs. 3.77 crores as against Rs. 2.35 crores and land customs and miscellaneous for Rs. 10 lakhs as against Rs. 25 lakhs. The total gross collection of Union excise duties amounted to Rs. 12.38 crores as compared with Rs. 8.52 crores. During the six months, April to September 1955, the grand total of gross customs and Union excise revenue realised was Rs. 153.96 crores as compared with Rs. 125.73 crores during the corresponding period of the preceding year. Of this amount import duties accounted for Rs. 60.63 crores as against Rs. 61.05 crores; export duties for Rs. 18.09 crores as against Rs. 13.55 crores, land customs and miscellaneous for Rs. 79 lakhs as against Rs. 1.35 crores and Union excise duties for Rs. 74.45 crores as against Rs. 49.78 crores.

*

Sixty-One Countries Pledge Technical Assistance: Sixty-one countries have announced pledges totalling an amount equivalent to $28,031,536 to the U.N. Expanded Programme for Technical Assistance for 1956. This total includes the U.S. pledges of $15,500,000 which was made with the provision that the U.S. contribution should not exceed 50 per cent of the overall total.

*

Grants by U.N. Korean Reconstruction Agency: The U.N. Korean Reconstruction has made new grants totalling $39,850 to five voluntary agencies for various welfare projects in the Republic of Korea to benefit orphans, widows, the sick and the aged. Of this amount, the Salvation Army has received $14,850; the Catholic Committee of Korea $10,000; the Columban Sisters $9,000; the Friends' Service Unit $3,000; and the National Catholic Welfare Conference $3,000.

GENERAL

U.S. National Product: The total output of goods and services in the United States increased during the third quarter to a new record annual rate of $391,500 million. This was $6,500 million higher than the rate of production in the second quarter of the year. It also was a gain of $32,500 million, or about 9 per cent, over the rate at which goods and services were being produced in the third quarter of last year.

*

Extension of Employees' State Insurance Scheme: About 50,000 more factory employees will benefit under the Employees' State Insurance Scheme with the extension from November 19 to Madras City and suburbs of the Employees' State Insurance Act. This will bring the total number of factory employees brought within the purview of benefit provisions of the Act to one million. The scheme is already in operation in Delhi, Kanpur, Greater Bombay, Coimbatore, Gwalior, Indore, Ujjain, Ratlam, Hyderabad, Secunderabad, Calcutta City and Howrah district, and a number of industrial centres in Andhra and the Punjab. At the moment it covers 9.5 lakh employees.

*

Development of Handicrafts: The Government of India has sanctioned further grants and loans totalling over Rs. 3,10,000 for the development of handicrafts. On the recommendation of the All-India Handicrafts Board, five States—Orissa, Bombay, Madhya Pradesh, Rajasthan and Madras—have been given aid for the development of several handicrafts. The All-India Handicrafts Board has been sanctioned a further expenditure of Rs. 1,44,900 for its participation in the Indian Industries Fair now being held in New Delhi.

*

Transitional Agreement on Indus Waters Between India and Pakistan: The Governments of India and Pakistan, with the good offices of the International Bank for Reconstruction and Development, have entered into an ad hoc transitional agreement covering the winter cropping period. The new agreement came into force from October 1, 1955, and would continue up to March 31, 1956. The conclusion of this new agreement, the previous one having expired on September 30, enables the planning work to continue in an atmosphere of co-operation and goodwill.

NEWS IN BRIEF

INDIAN

A pilot plan for cattle insurance has been proposed by the Madras State Government for improvement of livestock in the second Five-Year Plan.

*

About 250 delegates from 24 countries will attend the 12th session of the ECAFE to be held in Bangalore from February 2, 1956. This is the second time when the ECAFE annual session is held in India.

*

The Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, has published a new (12th) edition of the Directory of Exporters of Indian produce and manufactures in one volume.

*

The Government of India's approach to the problem of raising the standards of living in the country is praised in "World Population and Resources", a report just published in London by Political and Economic Planning (P.E.P.).

*

The Council of the National Institute of Scientists of India has selected two Research Fellows for scientific research under the Imperial Chemical Industries (India), Ltd., scheme for the promotion of fundamental research in physics, chemistry and biology.

*

The construction of the proposed fertiliser and heavy water factory at Nangal will begin in 1957. The project, expected to go into production in 1960, will cost Rs. 25 crores. The factory will produce 500 tons of oxygen daily besides 7 tons of heavy water and fertilizer.

*

A sum of Rs. 6 crores has been allotted by the Planning Commission for the development of sericulture industry in India during the second Five-Year Plan period.

*

The British Council has offered two scholarships during 1956-57 for study in the U.K. in the field of teaching English as a foreign language. The scholarships are normally tenable for one academic year commencing from October, 1956.

*

The Ministry of Education, Government of India, proposes to hold an Exhibition of Scientific and Technical Literature in Hindi some time in March, 1956.

*

A collection of the works of Professor Birbal Sahni, eminent Indian botanist, was presented to the Cairo University on November 14. The works were donated by Mr. Savitri Sahni on behalf of the Birbal Institute of Palaeobotany, Lucknow.

*

The construction of a new 38-mile broad gauge line connecting Etah and Barhan, in Uttar Pradesh, on the Northern Railway, has been sanctioned by the Railway Board at a total cost exceeding Rs. 1,27,00,000.

*

The East German Government has offered to assist India in exploring the mineral wealth of Kashmir. The offer was made recently by the East German trade delegation which came to Delhi for the opening of the Industries Fair.

*

A detailed and comprehensive examination of the problems of the marketing of Indian handicrafts will be made at a three-day Marketing Conference beginning in New Delhi today.

FOREIGN

Sweden's agriculture suffered a loss of income of over Kr. 500,000,000 (£34,800,000) as a consequence of this summer's drought.

*

Southland Paper Mills of Texas are to raise the price of their newsprint by 5 dollars a ton on December 1, bringing the cost of their paper delivered in New York to 131 dollars a ton.

*

Indonesia and the Federation of Malaya will strive to improve trade and will exchange expert mission on tin and rubber production under an agreement signed recently in Djakarta.

*

A six-man Prohibition Commission of Ceylon, under the leadership of Sir Richard Aluwihare, will tour several parts of India for 20 days in an effort to get first-hand information on how prohibition was introduced and the progress made in its enforcement in several States of India.

*

The first ever international conference on protection from atomic radiation opened in Stockholm on November 14 under the auspices of the World Health Organization. The conference, presided over by Dr. Elda Anderson of U.S. Commission on Atomic Energy, will last five weeks.

*

The proposed issue of stock of the Ford Motor Company, to the public for which the tentative date fixed is January 18, 1956, is expected to be between $400 million and $500 million.

*

Syria has signed a trade agreement with the Soviet Union, according to Moscow Radio. Under the agreement, Syria will supply the USSR with cotton, oilseeds, tobacco, wool, hides and textiles, among other things. The Soviet Union will deliver to Syria machines, industrial installations, metal goods, chemicals, paper, timber and other goods.

*

The Argentine Government has announced a 20 per cent increase in the amount it had pledged on October 26 to U.N. Expanded Programme for Technical Assistance for 1956. This brings Argentina's pledge to the equivalent of $360,000.

*

Pakistan and Turkey have signed a bilateral air agreement under which airlines can operate in each other's country.

*

Mr. H. K. P. Wood of Sydney has been appointed the Australian representative and Chairman-designate of the International Wool Secretariat.

*

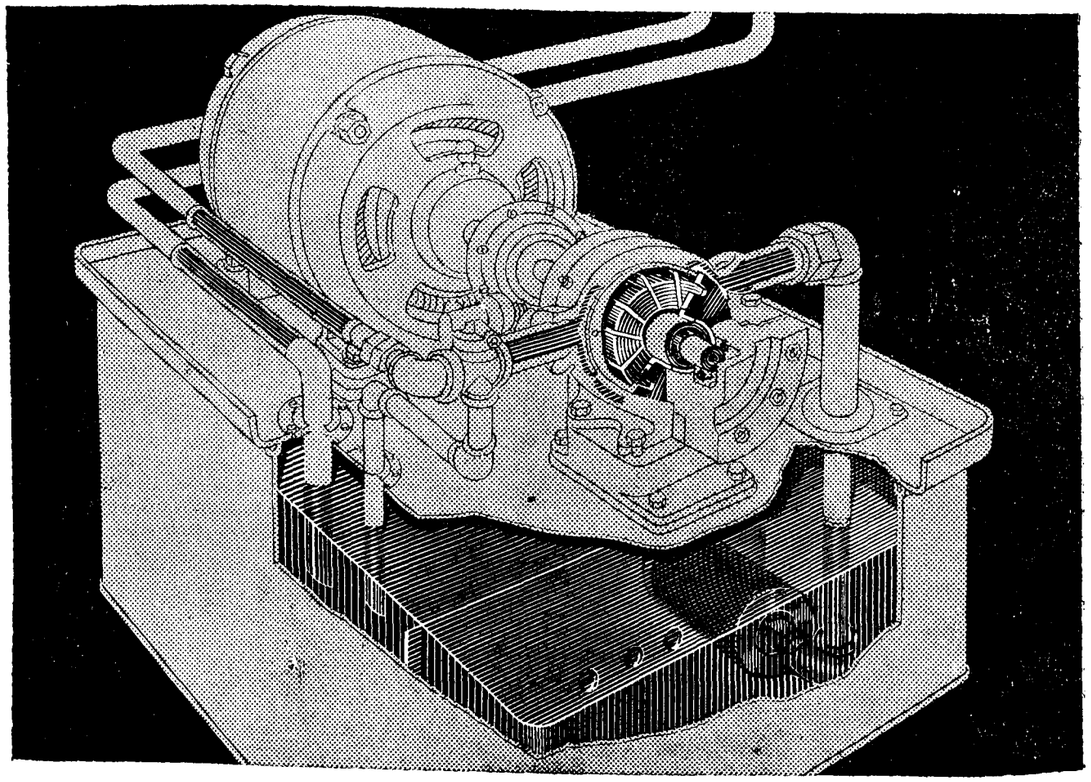
Air France has decided to order 12 of the new Caravella twin-jet airliners from Sud Est Company and to take an option of 12 more. The first three will be delivered at the end of 1958 and the others will come into service in 1959 and 1960.

*

A Yugoslav trade mission is negotiating in Cairo an amendment and renewal of the Yugoslav trade and payments agreement with Egypt which expired at the end of August last.

*

Malayan rubber small-holders are reported to be rushing for applications for the rubber replanting grant payable next year at the increased rate of M$600 (£70) an acre.



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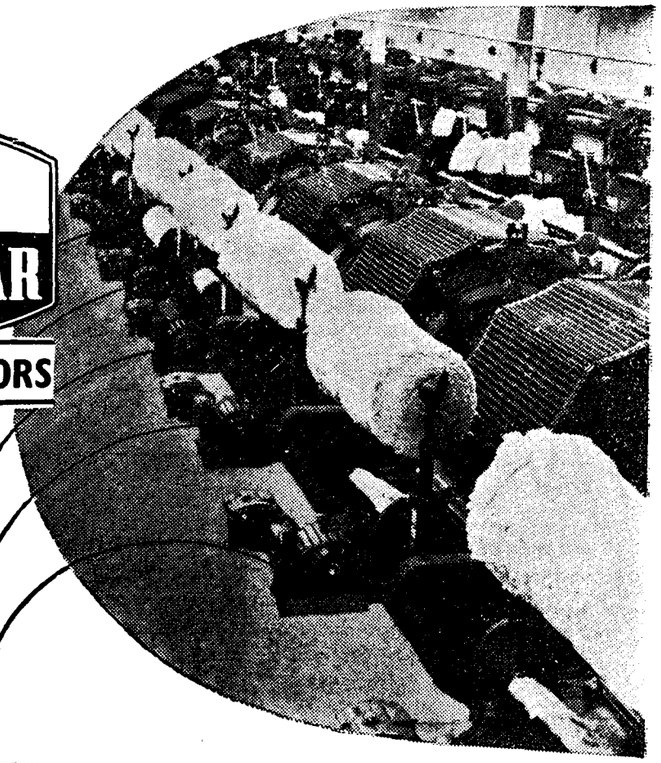
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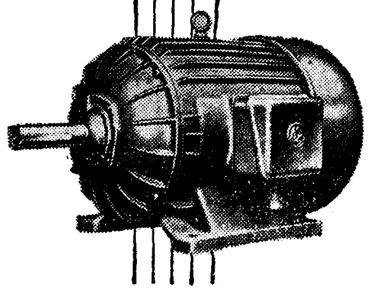
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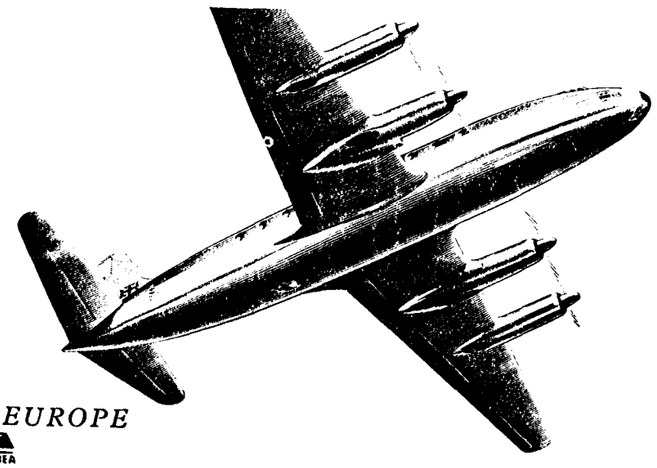
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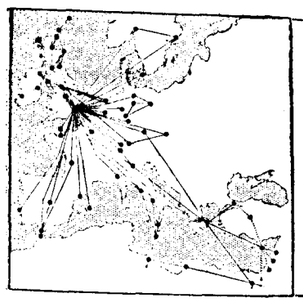
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Special Article

STATES REORGANIZATION COMMISSION'S REPORT WITH SPECIAL REFERENCE TO KERALA

By Shri Pattom A. Thanu Pillai

[In publishing this article from a well-known leader of Kerala, "The Eastern Economist" is not endorsing any of the views stated therein.—Ed.]

THE S.R.C. Report is too voluminous and deals with too much material for a proper appraisal of the whole of it in this short article. The report has created widespread discontent and far-reaching repercussions in the country. It has displeased very large sections of the people to such a pitch that even the peace of the country is likely to be affected. This article is confined to the findings of the Commission in regard to the proposed Kerala State and the grounds on which those findings are based.

Two bodies had been constituted previously to go into the question of redistribution of States, the Dhar Commission and the J.V.P. Committee of the latter of which Pandit Jawaharlal Nehru was the Chairman. Both these bodies generally discouraged the idea of the formation of linguistic States as such. The Dhar Commission laid down certain tests for the formation of a new Province, namely, geographical contiguity, financial self-sufficiency, administrative convenience, capacity for future development, a large measure of agreement within its borders etc. The J.V.P. Committee stated (1) that the principle of linguistic provinces should not be applied without considering all the implications and consequences that arose from its practical application, (2) that the primary consideration should be the security, unity and economic prosperity of India and every separatist and disruptive tendency should be vigorously discouraged, (3) that language was not only a binding force "but also a separating one", (4) that serious administrative dislocation or mutual conflict should be avoided.

In the resolution of the Government of India, appointing the States Reorganisation Commission, it is stated in para 5: "The Government of India have come to the conclusion that the whole question of the reorganisation of the States of the Indian Union should be carefully examined objectively and dispassionately so that the welfare of the people of each constituent unit as well as of the nation as a whole is promoted."

In the summary of conclusions and recommendations given at the end of the Commission's report, certain factors bearing on reorganisation have been stated. These include (1) that due consideration should be given to the unsettling consequences of reorganisation, (2) that interests of national unity should be considered, (3) that it is neither possible nor desirable to reorganise States on the basis of a single test of either language or culture, (4) that financial viability has an important bearing on reorganisation proposals, (5) the wishes of the people though an important factor bearing on reorganisation should be considered along with other relevant factors, (6) geographical contiguity of the units is important from the point of view of administrative convenience, (7) no proposal for the reorganisation should be determined by a single test and conclusions should be reached after taking into consideration the totality of circumstances in each case.

In addition to the general principles enunciated above, the Commission has also adopted certain other principles in making their recommendation. These have also been discussed in the paragraphs below.

In the light of these principles an attempt is made below to examine the recommendation to form the Kerala State. The Commission proposes the formation of a Kerala State by:

(1) Separating the four southern Taluks, namely, Thovala, Agasteeswaram, Kalkulam and Vilavancode from the Travancore-Cochin State and adding them on to Madras.

(2) Separating the eastern Taluk of Shenkottah from Travancore-Cochin State and adding it on to Madras.

(3) Uniting the remaining portion of the Travancore-Cochin State with the Malabar District and the Kasergode Taluk of the Madras State.

So far as the Malabar District and the Kasergode Taluk are concerned, the Madras Government do not want them to continue as part of their State. Though there is some opposition to the Malabar District forming part of the Kerala State particularly from the Congress in Malabar, majority opinion in Madras including the Malabar District as well as in Travancore-Cochin is in favour of the proposal.

In regard to the proposal to separate the five Taluks above mentioned from the Travancore-Cochin State and include them in the Madras State, it is regrettable to find that the Commission has deviated from almost all the principles they have enunciated in making their recommendation as shown below:

The Commission alleges as a ground for separation geographical contiguity of these Taluks to Madras. The Commission ignored the fact that the Western Ghats separates these Taluks from Madras, the only means of communication being by the Aramboly Pass. These Taluks on the contrary are really part and parcel of the Travancore-Cochin State.

The Commission has adopted the District as the basic unit for making territorial readjustments (para 291). Any deviation, they say, "should be made only by mutual agreement". In the case of these Taluks the District has not been adopted as the unit but on the other hand the District of Trivandrum has been bifurcated, and there is no mutual agreement. Further according to them they have departed from this rule only for ensuring geographical contiguity or for important administrative or economic considerations (para 291). In the present case all these factors favour retention of these Taluks within the State.

The Commission recommends the separation of these Taluks in paras 292, 293 and 294 of the report. They say (i) that "the demand for Tamil-speaking Taluks has a history behind it". There was no demand at all till 1947. The Travancore Tamil Nad Congress agitation started only about that time. The report says that the demand has assumed a form that prejudices the political and administrative stability of that area. It is surprising that the Commission should have made such a rash observation. No facts have been given to substantiate this statement. The Commission further says that in the four southern Taluks, the percentage of Tamil speaking people is about 79. The Commission ignore the fact that practically all of them know Malayalam as well and for purposes of day to day life, there is hardly any difference between Malayalam and Tamil, as used in these Taluks. The Commission themselves say (para 162 of the report) that "after a full consideration of the problem in all its aspects we have come to the conclusion that it is neither possible nor desirable to reorganise States on the basis of the single test of either language or culture....."

But it will be seen that this is the only basis for the Commission's recommendation for separating these Taluks.

It is further stated, that the wishes of the people of this area have been clearly expressed (para 293). It is difficult to see where and how these wishes have been expressed. If the result of the elections to the Legislature are the basis for the statement, an analysis of the figures relating to polling in 1951-52 elections will show a heavy majority against the Travancore Tamil Nad Congress and the small percentage in favour of Travancore Tamil Nad Congress in the 1954 elections cannot form the basis of the conclusion by the Commission. The issue of separation was not placed before the electorate with its many-sided attendant disadvantages:

(i) While only a uniform basic tax of Re. 1 and annas 9 per acre is levied on land of whatever description in Travancore-Cochin the land tax in the adjoining District of Madras varies from Rs. 15 to Rs. 30 per acre.

(ii) The water cess in the area in Travancore-Cochin is Rs. 2 per acre of old double crop wet lands and Rs. 7 for new conversions, while similar cess in Madras area goes up to Rs. 15 per acre.

(iii) While there is a school for almost every square mile in these Taluks, the same facility is not available in Madras.

(iv) Education is free in the Primary and Middle Schools in Travancore-Cochin, while it is not so in the Madras State. The study of Hindi is compulsory in the Middle and High Schools in Travancore-Cochin while it is not so in Madras

(v) Facilities as regards hospitals, Civil and Criminal Courts, Police stations, roads, irrigation etc. are not available in Madras to the same extent as in Travancore-Cochin. It is not probable if these Taluks are added on to Madras that the existing facilities in these Taluks will be improved till the other parts of the Madras State attain the same level. Could it be asserted that if these facts were placed before the electorate, they would vote for separation?

In dealing with the Taluk of Shenkottah, the Commission ignored the question of the wishes of the electorate. In the elections already mentioned, the Travancore Tamil Nad Congress dared not even put up a candidate for election from the Shenkottah Constituency. As regards the statement of the Commission that the Tamil speaking people of this Taluk are about 93 per cent, it will be more correct to say that they are bilingual as in the case of the four Taluks of the south. Physically and geographically the portion of the Taluk other than the enclave is part and parcel of the Travancore-Cochin State.

The above facts will clearly show that there is no justification for the recommendation of the Commission for the separation of the five Taluks on the ground that the wishes of the people of the areas concerned have been clearly expressed. The premises are not found on fact and the conclusions are untenable.

The southern Taluks have been a part of Travancore throughout known history. The Commission's observation that "the structure is partly the result of accident and circumstances attending the growth of the British power in India" (para 14), has no application to Travancore. If historical facts are taken into consideration, the separation of these Taluks would be untenable. There is no other part of India which can claim such unbroken historical continuity as Travancore including these Taluks.

The proposed separation will do positive harm both to the people of the Taluks recommended to be separated and to the remaining portion of the State.

In point of food production Nanjinad is in fact a surplus area, producing about 25 per cent of the entire paddy produced in the State. To a State grossly deficit in food grains, the loss of this area will be highly detrimental. This area has been made very fertile by investment of large sums of money for irrigation purposes. The two main irrigation works in Travancore are in this area. The latest authoritative figures available will show that the rate of product of rice in this area is over 1 ton per acre while in other parts of the State it is only about half a ton per acre. The observation of the Commission that this area is deficit in food production is definitely against facts. (Para 310).

The mineral wealth in this area, consisting of Monozite, Ilmenite etc., is considerable and is a certain source of substantial income to the State. The salt production in the State is in this area. The forests in this area are among the finest in the State. There are many tea and rubber estates here.

One of the most serious disadvantages of the proposed separation is that the sources of some of our most important rivers are in the areas proposed to be separated. The Neyyar River takes its source in the Vilavancode Taluk proposed to be separated and the Achankoil and Kallada rivers in the Shencottah Taluk. It is unfortunate that the Commission should have failed to direct its attention to this most important aspect of the matter.

From the economic point of view the proposed Kerala State will be subject to serious financial difficulties. The existing Malabar District is an underdeveloped area and the gap between revenue and expenditure is already very large. Even according to the figures supplied by the Madras Government, that gap is about 55 lakhs per year (see paras 312, 313 and 314). This is bound to become very much larger in view of the necessity to develop that area and bring it into line with Travancore-Cochin. The Commission thinks that this gap will to some extent be covered by the introduction of Agricultural Income-tax. No figures are given to substantiate this statement. Further the Commission ignore the fact that with the integration of Malabar and Travancore-Cochin, the land tax in Malabar will go down to the level of the basic tax in Travancore-Cochin State which is only Re. 1-9 per acre of land irrespective of its quality.

In an over-populated State like Travancore-Cochin or the Kerala State proposed to be formed, the surrender of its most precious part is fraught with serious danger.

The social, cultural and religious life of the people of these Taluks is in no way different from that of the rest of the State. It is worthy of mention that there is a large population following the Marumakkathayam system of law in these Taluks. In fact the Thovala and Agasteeswaram Taluks which adjoin the Madras State have a large Marumakkathayee population who have little in common with the people of the adjoining Madras State.

The Hindu temples in this area have the same rites and rituals as the temples in other parts of the State and these are different from the rites and rituals followed in the Madras State. These temples are managed by the Devaswom Board of the State which is constituted in accordance with the provisions of the Covenant entered into between the Maharaja of Travancore and the Government of India, the necessary funds being provided by the Government of Travancore-Cochin as guaranteed under Article 238(10) of the Constitution. Unnecessary complications and difficulties will arise, consequent on the proposed separation.

It is noteworthy that the Commission have negatived in the case of Devicolam and Peermade, the very grounds which weighed with them for the separation of the four southern Taluks. The claim to Devicolam and Peermade has also been made on grounds of geographical contiguity and language. The Commission do not think—and that rightly—that these are valid grounds. It is surprising that the same standards are not applied in the case of the southern Taluks.

Considered from any point of view, the proposed separation far from benefiting any group or set of people, will lead to untold difficulties, perpetual troubles and administrative inconvenience and split up a compact unit without necessity or justification.

The Business World

"FROM INDIFFERENCE TO PATERNALISM"

By

CROESUS

BETWEEN the gaiety that characterised the "Divali" and the emotions that the S.R.C. Report aroused, I am afraid, a very important speech has been robbed of the attention that merits. But I hold that not even the fact that over a fortnight has elapsed since this speech was made has made its theme stale or minimised, in any way, its importance. For, as long as we have a business community and a Government, the relations between the two must perforce continue to provide a stimulating topic of discussion. It was this subject that Mr.Tulsidas Kilachand, the well-known business man of Bombay and a Member of Parliament (who chose to stand, and won the last election, on an Independent ticket) selected for his address to the Rotarians of Bombay early this month.

Mr. Tulsidas's thesis was that, "during the last 50 years, Government policy towards business have veered from one of callous indifference to extreme paternalism and that business men have not been fortunate enough to have the full sympathy of the Government before or after independence". This is undoubtedly a very unsatisfactory state of affairs, if it is not a serious charge, and no enlightened Government can afford to allow any section of the public, least of all such an important one as the business community, to continue to feel this way. The provocation for this conclusion is, of course, the present Government policy of elaborate regulation of trade and industry in India.

At the outset of his speech itself, Mr. Tulsidas drew pointed attention to the difficulties of such regulation in the case of the underdeveloped countries "vis-a-vis" the advanced countries. As he rightly said, whereas the principal economic problem in advanced countries, which are in a highly monetised stage, is one of ensuring stability—essentially a short-term problem—the problem in the case of underdeveloped economies, which are only partly monetised, is that of accelerating the growth—essentially a long-term problem. Add to this, the dearth of technical and managerial skill, as also institutional facilities, in underdeveloped countries and you will see how difficult it is to regulate business activity.

But it is not so much on account of the difficulty of regulating that the spokesmen of the business community resent the present increasing trend towards Government intervention in business. What they strongly resent and are at a loss to understand, at the same time, is the prejudice against the business classes that obtains among certain political sections. In the context of the useful role that business men have played so far in the economic, political and social advancement of the country, it seems rather paradoxical, as Mr. Tulsidas put it, that such prejudices should have been created. He was not oblivious to the debit side as reflected in the anti-social activities of some business men. But he refused to believe that the misdeeds of a few of its members could wipe off the achievements of the entire business community. On this analogy, he said, the stray lapses of some civil servants or politcians could also be put forward as arguments to taint the entire class as corrupt, which would be obviously absurd. In my opinion, Mr. Tulsidas scored a better debating point still when he mentioned that business morale as well as administrative standards had since improved very much and followed it up by making an appeal to all the sections of the public to put forth their best efforts in their respective fields and co-operate with others, instead of indulging in mutual recriminations and obstructing others from doing their legitimate work. At the same time, he conveyed to his business friends the necessity to intensify the efforts to improve the existing standards with a view to raising themselves in public esteem. "This is not the first time in history that we are faced with an up-hill task. Before and after independence, business men have received unsympathetic treatment, but that has been a blessing in disguise, inasmuch as it has taught them to operate under the most difficult of conditions," he added.

Not only are business men known for their resiliance, as stated above, but being realists and practical men, they believe in their actions speaking for them. Instead of allowing political prejudice or other handicaps which dog then at every turn, to interfere with the discharge of their social obligations or responsibilities, they have shown, by way of their contribution to the success of the first Five-Year Plan, that private enterprise can deliver the goods. As Mr. Tulsidas mentioned, "whereas the Finance Minister has admitted a shortfall of about 12½ to 15 per cent in Government achievements in the field of planned investment, production trends in the private sector indicate fulfilment of planning targets in almost all lines, and overfulfilment in the case of some". It is, I think, a silent but eloquent testimony to this achievement that the second Five-Year Plan has provided for an investment of Rs. 750 crores to industry and business. After being invested with this much of responsibility, it is but natural that the business community should expect and claim in return reasonable operating conditions for the proper fulfilment of its tasks.

It would have been highly unwise on the part of anybody, not excluding Mr. Tulsidas, to ask for unregulated capitalism. No enlightened business man would do so, but what Mr. Tulsidas and his fraternity are opposed to, and rightly, I believe, is regulations which are so rigid as to inhibit the working of private enterprise of stifle its growth. It is noteworthy that the Prime Minister of India has been the staunchest advocate of this view of the business community. He has been repeatedly stressing the point that private sector should not be bound hand and foot, but should be allowed reasonable freedom of operation. Mr. Tulsidas availed himself of the occasion, therefore, to outline a few freedoms that would be helpful to the business community. First, he wanted "freedom from the fear nationalisation". Secondly, he asked for "freedom from restrictions, direct and indirect, on the productive capacity of factory establishments" in order to protect small-scale and hand industries on the ground of maintaining employment. In this connection, he also wanted "freedom from obstructions to mechanisation and automation" on the plea that such might result in retrenchment.

I have heard many people say that they cannot understand why the business community should be worrying about, or asking for a guarantee against, nationalisation. And they charge the community as being unduly apprehensive of nationalisation and wanting impossible guarantees. If, notwithstanding this, Mr. Tulsidas still chose to dwell on the subject, he was doing so only to point out the obvious need for some

definite and precise policy in regard to this question. He, therefore, said: "When the representatives of Government say that they intend to nationalise any existing industry, they do not make it clear whether what they mean is merely to start additional units in the public sector, as they propose to do in the case of iron and steel manufacture, of to acquire only certain selected units in any industry, as they have done in the case of banking, or to take over an entire industry, as they have done in the case of civil aviation. Unless their pronouncements are more definite, confusion and anxiety would prevail, and private units in the affected industries would naturally be reluctant to expand. I hope that since there are indications of greater reliance on private enterprise in future, the Government will make the situation clear and remove one serious impediment to development in the private sector".

As regards the second freedom demanded by Mr. Tulsidas, it is necessary to point out here that he is not opposed to providing all possible help to small-scale industries, and he made his position clear when he said: "I am unable to subscribe to the view that the progress of the mechanised industries should be arrested to leave the field open for hand industries". For the same reason, he was also opposed to the withholding of mechanisation in factory industries with a view to preventing retrenchment. These proposals, he described as being "highly unprogressive and short-sighted".

I am glad that Mr. Tulsidas also referred, in this connection, to the potentialities of secondary and tertiary employment created by mechanised industry, an aspect which Mr. G. D. Birla has been stressing for so long. The U.S.A. the U.K., Sweden and Canada have attained near-full employment conditions, Mr. Tulsidas declared, not by discouraging, but by encouraging mechanisation which increases the scope of not only direct or primary employment, but also indirect or secondary and tertiary employment. Accordingly, he wanted the planners to pay more attention than they have done so for to this aspect of the question.

A further notable point that Mr. Tulsidas made was that, from the point of view society what really matters is that the general level of employment should increase, irrespective of whether employment in any particular hand industry is maintained or whether every factory worker maintains his job. He said: "the government should aim at increasing employment in general rather than freezing every existing job."

Mr. Tulsidas is one of the few farsighted business men who feel that the business community is still not exerting itself adequately and making its voice heard in the Government and elsewhere. The time has come, as he said, for the business community to have a greater voice in making social decisions. He was not unaware of the fact that this complacent attitude of the community has originated from certain historical antecedents, such as the functional representation for the business community and its close association with the Congress Party which made the cause of Indian business men under foreign rule its own. All these have changed and the rank and file of even the Congress Party have shown that many of them cannot appreciate the view-point of business men much less support it. Hence the call of Mr. Tulsidas to the business community to evince a more active interest in political affairs and to devote greater efforts to educating public opinion so as to make the public understand its view-point clearly and fully. In short, he declared: "business men can no more afford to be complacent in matters of Government policy and public opinion. In order to improve their position in the new social set-up, they must try to find out in what ways they can be most useful. They should cultivate greater interest in national problems and try to evolve a social outlook and a wider perspective. This will help to reinstate the business class into its former place in the national life.".

Mr. Tulsidas did not stop with this but went on to say how this could be done. He was not all exaggerating when he observed that "the public are not fully aware of the progress that the private sector is making, probably because of the absence of proper organisations to implement their public relations programme". His prescription, which I regard as eminently sound and effective, is contained in the following peroration with which he concluded his address:

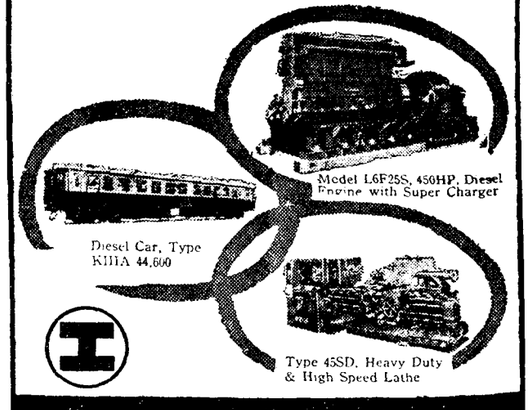
"We must understand that, in a democracy, public opinion is supreme, and, if we win it over to our side, it would be very difficult for any political party to stand against the stream and implement legislation vindicatively levelled against the business class. This should not be difficult for a community that is known to have excellent persuasive acumen acquired naturally by constant practice in the field of selling goods and services. The same persuasive techniques can be applied to sell ideas which are worth having from the point of view of the community as a whole. Business men are always full of ideas and, if they think not only from the point of view of their personal profit, but also from the point of view of social benefit, productive ideas are sure to occur to them, and these they can propagate and carry out, and thus raise their prestige with the public and re-instate the business class in the position it used to hold."

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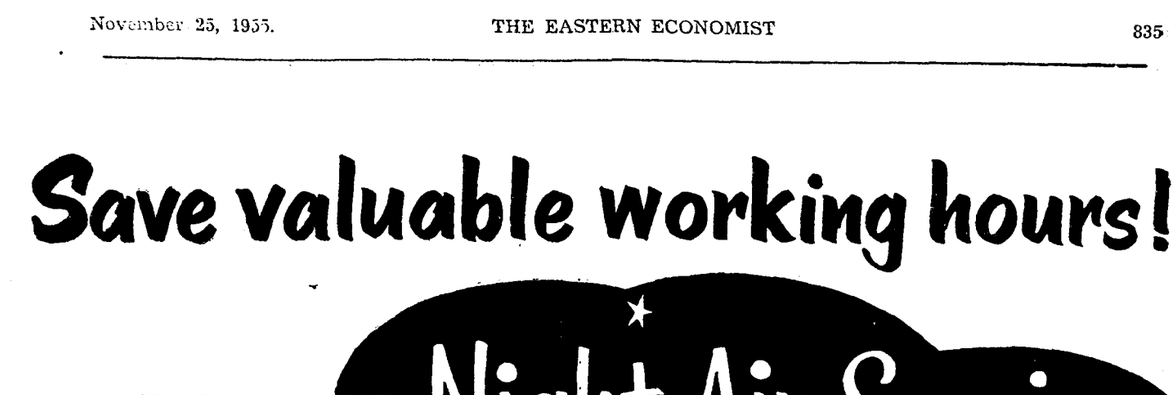
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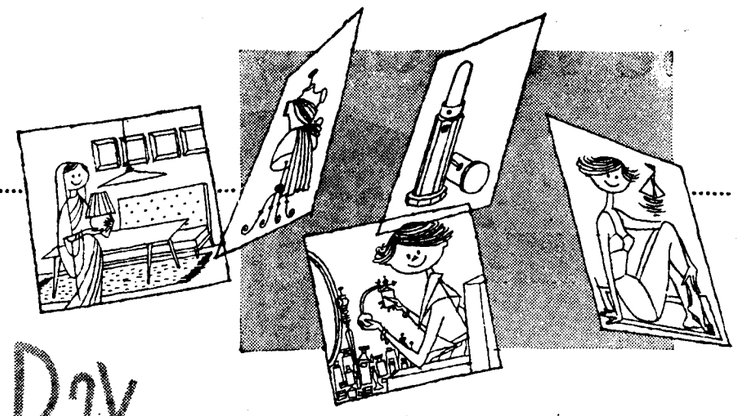
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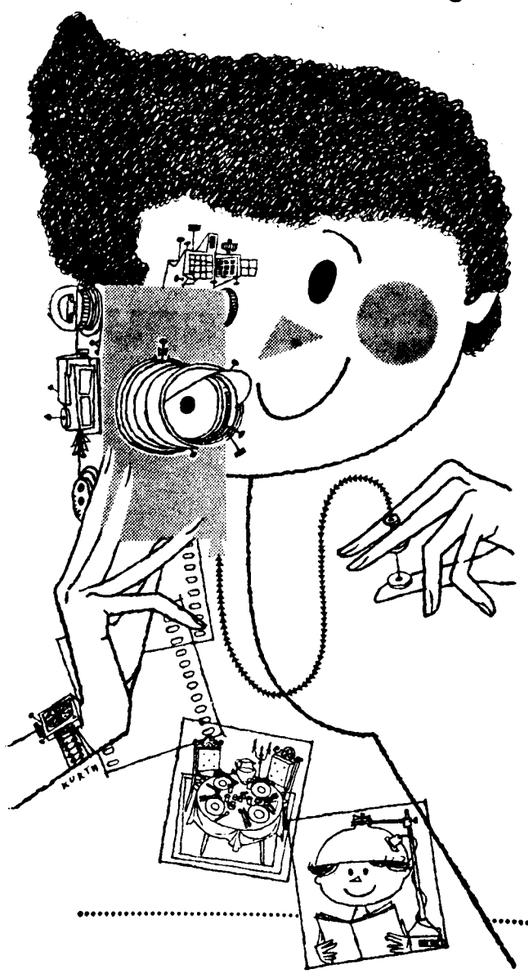
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IN INDIA'S LIFE

AND

PART OF IT

BUSINESS NOTES

STEEL SHORTAGE

THE GOVERNMENT OF INDIA'S decision to reimpose controls on the supply of structural steel products after a lapse of more than three years serves to underline the acute shortage of steel not only in this country but almost all the world over. So great, apparently, has been the rise in demand. Demand for most types of steel is now strong in all the main steel producing as well as steel consuming countries, including the U.S.A. The import of structural steel, accordingly, is by no means easy today. Apart from the sharp rise in world prices of steel and steel products during the past twelve months overseas works have their order books filled for months in advance. In the United Kingdom, one of our traditional sources of supply, for instance, the higher demand for steel has led to an increase in steel makers' orders on hand, which, at the end of June, 1955, had reached a point nearly 70 per cent higher than a year earlier. On July 22, 1955, orders on hand represented 24 weeks' deliveries of finished steel. Car and commercial vehicle output in Britain in the first half of this year outstripped sheet metal production, and engineering production has been rising faster than that of steel. In fact, the engineering industries have outrun not only steel, but all the other main groups covered by the Index of Production.

It is primarily the job of the new Ministry of Iron and Steel to anticipate the demand for steel equipment consequent on planned development, and take adequate steps to assure the structural engineering industry of the country of regular flow of supplies. There is mounting demand in this country for steel from both the private and the public sectors. The aggregate annual demand for steel which was of the order of 1.5 to 1.6 million tons in the past, is now estimated to have risen to about 2.5 million tons. After exhausting the traditional sources of supply, which have dried up or are quoting high prices, the Government of India has been tapping all foreign markets to meet the country's import requirements, which are placed at 1,000,000 tons per annum for the next three years. Recently, the Government placed an order for 40,000 tons of finished steel with the U.S.S.R. and a further order for 60,000 tons is being placed with that country. Negotiations are also afoot with China for the purchase of 30,000 tons on a barter basis. Recently, negotiations were concluded with Czechoslovakia for the supply of an unspecified quantity.

In the long run, however, the most effective way of closing the gap between demand and supply is to have enough steel-making capacity at home. The second Five-Year Plan for steel envisages the growth of the industry to give an annual production of 4.5 million tons by 1961. In the months ahead, it is important that home demand should be met to the fullest extent possible. For, while the country's steel output has been growing, it has not increased fast enough to keep in step with the expansion of the economy. Recent measures should help restore balance.

STARCH INDUSTRY

THE GOVERNMENT OF INDIA has accepted the recommendations of the Tariff Commission that protection to the starch industry need not be continued beyond the end of 1955, whilst at the same time, continuing the present policy of import control over starch and sago flour in order to ensure continued development of the domestic industry. In suggesting this action, the Commission, of course, made it clear that the interests of consuming industries would not be adversely affected by the continuance of import control, since the indigenous starch industry had not only ample capacity to meet domestic requirements but there was enough internal competition to ensure that the prices of this product were maintained in fair relation to costs.

In view of the Tariff Commission's recommendations and the Government action thereon, a brief reference to the statistical position of the industry should be found interesting and useful. The domestic demand for starch of all kinds has been estimated at about 45,000 tons, made up of 36,000 tons of maize starch, 3,000 tons of tapioca starch, and 6,000 tons of tamarind powder. The domestic production of maize starch has been rising, the output in 1954 reaching 35,811 tons compared to 19,562 tons in 1953 and only 7,674 tons in 1952. Imports, on the other hand, have tended to decline, with only 885 tons in 1954-55 and 1,021 tons in 1953-54, as against as much as 47,462 tons in 1951-52. Substantial quantities of unprocessed sizing materials, such as wheat flour, rice flour and tapioca flour, are used by handloom weavers and 'dhobies' (washermen) mainly because of the relatively high prices of maize starch. Some of the textile mills too are reported to be using these materials in their sizing mixtures.

The total capacity of maize starch factories on a three-shift basis is 71,600 tons but very little data regarding the capacity or the actual production of tapioca starch are available, as it is carried on mostly on a cottage basis. The fall in the domestic prices of maize and the improvement in its supply position have removed one of the main disadvantages from which the domestic maize starch industry was suffering ever since its inception and, in view of the current trend of agricultural prices, this position is likely to continue. But, since there has been a steep decline in tapioca prices also, the maize starch industry may hereafter meet with keener competition from tapioca starch. Tapioca starch, however, has a relatively lower viscosity, and, besides, the existing railway freight charges place it at a disadvantage. Although tamarind kernel powder is the cheapest, its colour is unattractive; further it is not available in standardised quality. The tamarind kernel powder industry has not made much progress despite the order issued by the Textile Commissioner in 1953 that at least one-third of the sizing material used by textile mills should consist of this powder. This is because the industry was unable to obtain adequate supplies of tamarind kernel at reasonable prices and the mills were also dissatisfied with the lack of uniformity in the quality of tamarind powder.

THREE SHIFTS FOR MILL-HANDS?

IT IS understood that the Government of India will shortly allow a large number of mills in Bombay and Ahmedabad to introduce a three-shift system of production, as against the two shifts presently obtaining. It would appear that official circles in Delhi are inclined to view the unusual diminution of cloth stocks, especially since "Diwali", as a clear index to the steadily increasing trend of cloth consumption in the country. According to official figures released last month, it may be remembered, the "per capita" consumption of cloth in 1954 was 15.30 yds. which is 3½ yds. more than the 1951 figure and only 0.45 yds. less than the pre-war consumption.

In order to meet the increasing demand for cloth, doubtless, the Government might introduce measures

to step up cloth production without, at the same time, actually increasing the number of looms. Before this additional shift working can be brought into effect, however, some special problems emerge which have to be thrashed out. Thus, the authorities will have to ascertain the long-range demand for cotton piecegoods and decide whether the introduction of the three-shift system could be made a permanent feature (because this impinges on the question of providing additional employment), or whether it would not be desirable to achieve increased production by just granting permission to mills for modernisation and expansion and thereby also enable the country successfully to compete with overseas interests in the foreign markets. It is generally admitted that the cost of production of Indian cloth is high and that it cannot be brought down appreciably without resorting to automatisation and other modes of advanced techniques in production. But, unfortunately, the Karve Committee's Report on Village and Small-Scale Industries has totally ignored this aspect of the matter and seem to rely for expansion of production mainly on cottage and small-scale industries.

As against this, it is significant to note that, for the first time in the history of Lancashire cotton, trade unions there have approved of three-shift working. Only last month, the General Council of the Weavers' Amalgamation set the 3-shift plan in motion by accepting the idea at a special meeting and putting it forward to the annual conference of the Northern Countries' Textile Trades' Federation which represents all the unions in the manufacturing section. An interesting feature was that it was conceded that only the most up-to-date and efficient firms would be able to introduce the system, inasmuch as it required to be adopted on automatic machinery. Under this stipulation, it was felt, any widespread adoption of the three-shift working could be discounted. This happy linking up of the three-shift system to modernisation is something which the Government of India should take especial note of, if its policies are to be leavened with the same refreshing spirit of realism.

Apropos the increasing demand for cotton piecegoods, referred to earlier, it may be noted that the volume of business during "Moorat" and the Diwali holidays was as much as 1,25,000 bales, and textile shares in the Bombay Stock market have been steadily seeking higher levels; in some cases, even the year's peak levels have been pierced. A special feature of the "Diwali" sales in the piecegoods market has been the keen interest shown by upcountry buyers, which is considered to be a forerunner of continued and sustained demand for cloth for some time to come. It is also significant that most of the business has been done at higher prices with quotations of fine and superfine goods showing a rise of about 5 per cent, while those of coarse and medium have appreciated by 2 per cent.

MAN-POWER BUDGETING

WITH THE rapid progress of the development plans, man-power budgeting is coming increasingly into vogue. This is as it should be. In fact, it was with this end in view that the Shiva Rao Committee had recommended that factual information about the supply and demand position of various types of man-power should be collected and training programmes planned thereon. While one hears it repeatedly said that there is a great dearth of technical personnel in this country, it is surprising that there should be as many as 771 engineers on the registers of employment exchanges in this country awaiting to be absorbed. This indicates the enormity of educated unemployment. According to Mr. H. Davenport, Director of employment Exchanges, there are about 2,65,000 educated unemployed (as registered by the employment exchanges), of whom 28,000 are graduates!

Every year, nearly five million more mouths have to be fed, and every year, there is an addition to the ranks of people seeking employment. But the rate of increase of new jobs is not and cannot be commensurate with the rate of increase in population. Even if the private and public sectors, between them, can create, during the coming years, not less than 2 to 2.5 million jobs every year, the severity of the unemployment situation may only be reduced to some extent, and the problem of unemployment would still be there. As a matter of fact, the second Five-Year Plan has such an ambitious target of job-creation, but only experience can show how far this estimate is realistic and practicable. The stipulated increase in the number of employment exchanges from 128 to 300 all over the country during the period of the second Plan will, however, mean one exchange for every district, whereby people in the out-lying areas will be brought much nearer an agency that will endeavour to find jobs than they are now. Besides, the day-to-day administration of employment exchanges is going to be taken over by the State Governments on the advisability of which opinion would seem to be sharply divided. Whoever may be in charge—the Union Government or the State Government—what really matters is that the exchanges should be used more and more by employers and equality of opportunity afforded to all applicants for jobs. The problem, however, does not end there. There should also be programmes under which employment market information is collected, juveniles and adults are increasingly given guidance about their careers based on the state of employment market, and more careful job analysis and research into problems related to employment are carried out. Only thus can the country plan useful training programmes at all levels, for craftsmen and graduates alike.





COMPANY AFFAIRS

CHAMPARUN SUGAR CO., LTD.

The working results of the Company for the year ended June 30, 1955, show, after providing for all charges including provisions for Taxation and Depreciation and taking into account earlier provisions no longer required written back, a surplus of Rs. 6,84,690

From which has been appropriated the following:

Rehabilitation Reserve	Rs. 3,50,000	
Contingencies Reserve	„ 65,000	Rs. 4,15,000
		Rs. 2,69,690
To which has been added the carry forward from the previous year		„ 24,329
Leaving at credit of Profit and Loss Account		„ 2,94,019
This balance is to be disposed of as follows:		
In payment of a dividend of Rs. 1-8 per share, free of income-tax, for the year ended June 30, 1955		Rs. 2,70,000
Carry forward to next account		Rs. 24,019

The quantity of cane crushed by both factories during the season 1954-55 showed a considerable increase over that crushed during the previous year. Barrah factory crushed 24,62,683 maunds with a recovery of 10.16 per cent, while Chanpatia factory crushed 19,21,055 maunds with a record recovery of 10.77 per cent. The cane price was Rs. 1-7 per maund at the factory gate and Rs. 1-5 per maund at outstations Out of the total sugar production for the 1954-55 season, Government retained 25 per cent for controlled sales.

Stocks of sugar remaining unsold on June 30, 1955, have been valued at the market rate on that date, but a Contingency Reserve has been provided to cover the estimated fall in price of sugar remaining to be sold.

ORIENT PAPER MILLS LTD.

The Directors' Report and the Audited Accounts of the Company for the half-year ended March 31, 1955, show that, after payment of Managing Agents' remuneration, Directors' remuneration and providing for Depreciation and Taxation and allocating Rs. 17,00,000 to Reserve for Repairs and Renewals and taking into account the balance of the previous half-year, there remains a surplus of Rs. 11,16,682 to be disposed of as under:

Dividend on 20,000 Preference Shares @ 5½ per cent per annum, free of income-tax	Rs.	55,000
Dividend on 60,000 Preference Shares @ 5½ per cent per annum, subject to income-tax	„	1,21,687
Dividend on 14,68,250 Ordinary Shares @ Re. -/8/- per share, free of income-tax	„	7,34,125
Balance to be carried forward ..	„	2,05,870
TOTAL	Rs.	11,16,682

Recently, the Company has raised a further capital of Rs. 50 lakhs, by issue of, and fully subscribed, 50,000 5½ per cent (tax-free) Cumulative Redeemable Preference Shares of Rs. 100 each for its expansion and modernisation programme.

The Government of India levied excise duty on paper with effect from March 1, 1955, at the rate of 10 per cent ad valorem which was subsequently changed to specific duty with effect from April 27, 1955.

BRITISH INDIA ELECTRIC CONSTRUCTION CO., LTD.

The Audited Accounts of the Company for the half-year ended June 20, 1955, show that, after providing for depreciation, the profit for the half-year was Rs. 69,778. After deducting this from the balance brought forward of Rs. 6,88,487, there remains a balance of Rs. 6,18,709 at the debit of Profit and Loss Account, which it is proposed to carry forward.

There was an improvement in the overall working of the Company for the period under review. As the order book shows an improvement in all sections of the work, it is hoped that this will be maintained.

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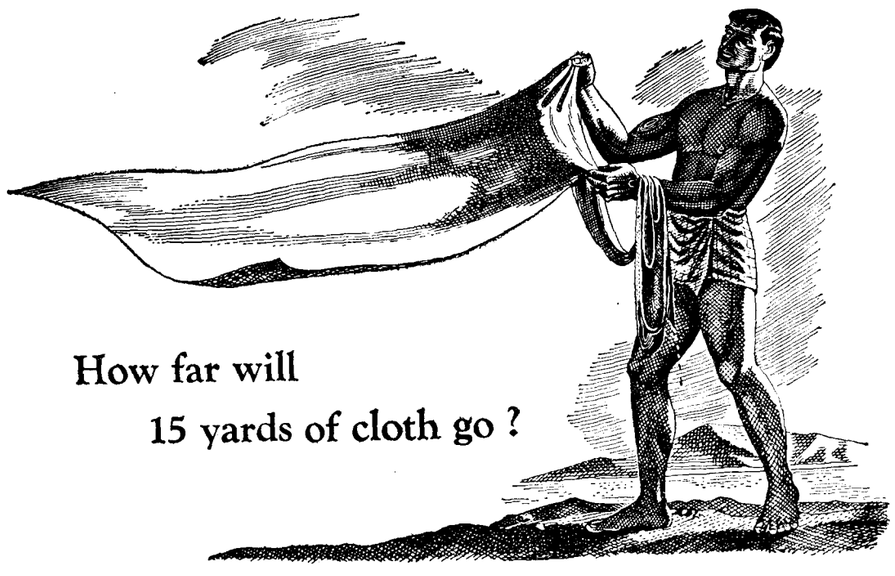
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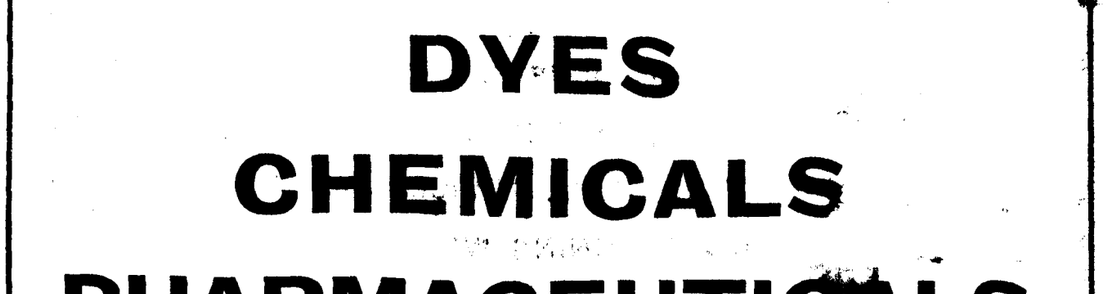
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The Cold War in Oil

THE news that seven Communist technicians have arrived this week to assist the Indian Union in the minerals field has been interpreted, both at home and abroad, as implying that Indo-Soviet economic co-operation has taken on a new dimension. In point of fact, the present demarche is certainly no more significant than was the Indo-Soviet agreement on a steel plant which, in turn, was certainly less significant than the spacious offer of technical assistance *a outrance* made by Messrs. Bulganin and Khrushchev in numerous public addresses they have already delivered

in India. What is new about the mining incursion is the belief, real or imaginary, that there has been a sudden conversion in the Natural Resources Ministry to the doctrine of the Communist excellence in this particular field. Few people in India have stopped to ask whether the case of oil is on all fours with that of steel. The superstition has suddenly gained ground that everyone is good for everything. There is ground, too, for believing—and the order of magnitude and quality of steel production of Russia is certainly suggestive—that the U.S.S.R. has a range of capacity and experience which makes it an adequate partner in steel development in India in the next few years. Can a similar judgment be made in respect of petroleum and petroleum products with the same breezy confidence?

It is important that an answer should be found both in political and in economic terms. Politics should be subordinate at least for us; but we do not call the entire tune in this matter. There is no doubt that the visit of technicians from the U.S.S.R. and satellite countries is at least in part a manifestation of the Cold War on Indian soil. The Indian Union may not be interested in the Cold War as such. But our very neutrality makes it possible via economic arrangements for Communist pressure to be exerted in an area where it has not hitherto operated. The unusual appearance of this pressure results—however unreasonable this may look to us—in a questioning abroad of our intentions, as well as concern on the size of the impact which the Communist countries might make. And thus, willy-nilly, India is involved indirectly in the Cold War which is now extending over various phases of our economic life. To state thus objectively that the Cold War is so extending is by no means to argue that it should under all circumstances be banished. It is to our advantage, provided any unpleasant political consequences can be avoided, for us to have competitors both on the supply and exploration side so that India will have that rare commodity known as consumer's choice.

The danger is not that we will lose that choice because fortunately our foreign policy has given us more than any other country of the world a freedom which is wide enough to prevent, even under substantial political pressure, its total elimination. The danger is that we should not know, in exercising our choice, where our real interests lie. The national interest, and no theoretical preference for competition in the abstract or ideological preference for the public sector, is what we are seeking.

Consider, therefore, not the lilies but the facts in the field. The Free World at the present time produces about 90 per cent of the 700 million tons of oil that is produced in the whole world. The U.S.S.R. bloc of countries produces only about 70 million tons, of which 80 per cent is in Russia itself. Even if North American production of 350 million tons is excluded, the U.S.S.R. bloc can still only claim to contribute rather less than 20 per cent, a percentage which is likely to decline in the face of the present energetic development and rapid expansion of the Free World's oil resources. A single large international oil company with its direct associates produced, in 1954, 68 million tons of crude oil or approximately the same quantity as the entire U.S.S.R. bloc.

Consider, again, exploration as distinct from current production. While proved crude oil reserves of Russia have risen, according to the U.S.S.R. technical press, from about 1,000 million tons in 1938 to 4,500 million tons in 1952, Russian crude oil production has not moved up to much more than 55 million tons from the pre-war production of 30 million tons. In other words, the translation of new oil discoveries into actual production has been very slow in the U.S.S.R. compared to current Free World standards. In the Free World intensive exploration of a kind practically unknown in the Soviet Union is in operation in practically every oil-bearing region in the world. The same single group to which reference was made earlier, for example, are at this time actively conducting exploration in all continents of the world including 16 countries. This group's exploration operations which include offshore concessions extend from Canada to Nigeria and Columbia to New Guinea. In the process of prospecting and drilling in dense tropical jungles, deserts, snow and offshore, there has been amassed a unique store of experience which is constantly applied in evolving new and more efficient techniques. In 1954 no less than £110 million capital was expended on exploration and production. It is largely because of this amazing experience under conditions which are far more varied than can be obtained in the Soviet Union and satellite countries that the Free World's capacity in the exploration field is necessarily considerably greater than that possessed by Communist sources. Whereas in steel the U.S.S.R. has, so to speak, caught up with Western Europe, there is no evidence that in the oil exploration and production fields Russian experience is outstanding.

To say that the Free World is possessed of this superiority in both the production and exploration fields should imply no more than the facts assert—that any undue exclusion of Free World technique will not be in our national interest. But even the best technique in the world, however, has a limiting price. If the Free World represented either by individual oil companies or by a collective cartel arrangement should demand too high a price for this technique, India would be justified in resistance. In point of fact, however—as the agreement between the Government of India and the Assam Oil Company shows—it is admitted, in deed as well as in word, that the Free World's terms are not unsuitable for oil exploration in this country. In the sphere of refining, where three associate companies all from the Free World have been granted licences, there also is no cause for any regret. It may, therefore, be wondered whether any major gain has been secured by importing the Cold War into India in oil when existing partners have not been accused of any default.

In any case it might have been wise to ask for greater proof of Russian competence than was obtained by the Minister of Natural Resources in a hurried trip to the Soviet Union; there seems to have been undue exhilaration at the sight of certain relatively tried processes, such as drilling in the Caspian, which are technically not difficult though, to the amateur, they are naturally exciting. There does not seem to be much evidence to prove that a competitive catalytic agent was required to stimulate oil exploration by oil companies operating in India. Now, however, that the Russians have been invited, they must be given the fullest opportunity to prove their worth. The lists are open; *Satyameva Jayate!*

No Begging Bowl

THE meetings of the Import and Export Advisory Councils on Saturday and Sunday last week were noteworthy not so much for the details of imports and exports discussed as for the forceful, and even exhilarating, statement made by Mr. T. T. Krishnamachari, Minister for Commerce and Industry, at the end of the session of the Import Advisory Council on Saturday. Mr. Krishnamachari said that he was confident that the second Plan would not suffer for any lack of resources or foreign exchange. He mentioned the point that India had pumped in Rs. 400 crores annually into the Sterling Balances during World War II in terms of 'unrequited' exports and services and added "We can certainly do that again. It is well within our competence." He was not against aid in principle or in practice, but he was certainly not prepared to go to any country with a begging bowl.

This forcible statement, coming after much anxious thought on the foreign exchange gap in the second Five-Year Plan, has done much to correct perspective since the Minister for Planning, Mr. Gulzarilal Nanda, made his unfortunate statement at the Colombo Plan meeting at Singapore. It is true that the foreign exchange 'gap' remains and nothing in Mr. Krishnamachari's assessment should lead one to believe that, left to itself, India's balance of trade in the second Five-Year Plan would be anything but adverse. The point that he was making—and which needs to be made even more strongly than it was made in the Import and Export Advisory Councils—is that the basic factors in the Indian economy are so strong that, if a great challenge of this kind is envisaged correctly, and prompt and imaginative action taken, it is within the capacity of the economy to overcome what looks like an overwhelming obstacle. This is not only a matter of psychological confidence; it is very much a matter of down-to-earth economic understanding.

There are two essential points in Mr. Krishnamachari's assessment which need to be underlined. The emphasis, so far as our war experience is concerned, was on the word "unrequited". A country which is not importing on a significant scale is, obviously, in a far poorer position to export than a country which is importing in some abundance. There is, for example, a close relation in the United Kingdom between imports and exports; Britain's exports could not be sustained at anything near their present level without, what might be called, a corresponding level of imports of raw materials and even of some semi-processed goods. The same point applies to India in the second Five-Year Plan though, perhaps, with less force. In this Plan, unlike our experience in war years, our exports will not be unrequited. There will be a substantial import programme which will help to sustain consumption and accelerate production, thereby enabling us to do better, and perhaps considerably better, than in the war years. A nation which can export under the arduous conditions of World War II obviously has greater capacity now when real income is considerably higher and imports somewhat more than double what they were then.

It is obvious that while this new approach should be commended for what it is—a true statement of the country's capacity in the international sphere—there should be no complacency on the extent to which demands will need to be made on internal consumption if we should need to cover a gap by forced exports in this manner. At present, our exports are rising but certainly there is no basic upward trend. The point was made in the meeting of the Export Advisory Council that the prospect of a substantial addition to foreign exchange from jute and tea was problematic, so that our two main foreign exchange earners will not be effective even if driven somewhat hard. On the other hand, there are two major fields in which scope exists, provided only policy and the will to export are made to conform to the country's new determination. The principle in both the cases is the same, namely, the full exploitation of India's supreme advantages in the costs of the concerned raw materials. The first of these cases is cotton textiles based, in the lower and medium counts, on very much the cheapest cotton in the world. Here the Minister for Commerce and Industry is not merely right to demand the fullest use of our export potential of finished goods but he is, obviously, right to restrict the export of cotton of lower staple which can be used by our foreign competitors to cut us out of the textile field. The country as a whole should pillory those whose short-sighted policy on production of cloth will lose this country, perhaps, something between Rs. 50 to Rs. 75 crores a year.

The same argument applies, *a fortiori*, to the light engineering industries. Mr. Krishnamachari made the point at the end of the Export Advisory Council meeting that when our steel production had risen sufficiently it would be possible to allocate to the engineering industries, for purposes of export, steel at prices of Rs. 300 to Rs. 350 per ton. There is no country in the world which has anything like this magnificent possibility at the present time or, indeed, at any time which it would be wise to consider. A great engineering export industry is, so to speak, written into the conditions of Indian steel manufacture. If the conditions have not hitherto been appropriate for the exploitation of this tremendous natural advantage, it is entirely because of the shortage of steel within and the failure as a consequence to launch adequately on a spacious export drive in South-East Asia and the Middle East. If, as was contended, light engineering industries could raise their exports from something like Rs. 5 crores at the present time to Rs. 100 crores by 1961, we could take a substantial steel import programme in our stride, financing it over the whole period by these added receipts.

Export industries based on the cheapest steel in the world have one additional advantage not available to cotton textiles, where our price advantages would seem to be nearly as great. This arises from the fact that light engineering industries are now out of ideological battles connected with capital-intensive as against labour-intensive methods of production. Even if the Minister for Planning, a leading sower of confusion in this matter, kills the possibility of a rise in our export earnings from textiles, it may be difficult for him to frustrate the country's development in the light engineering field. Let, if this must be done, the domestic market be made more secure for handlooms and *charkas* of every imaginary and inefficient kind. But the country will not allow its exports and, therefore, its finance for the second

Plan to be lightly killed while we talk drearily about 'gaps' in foreign exchange. Let the Minister for Planning solve the 'gap' problem by exports, or let him leave the way clear for those who can. No self-respecting Indian wishes that we should be made, by foolish acts of control within, beggars at others' doors. Mr. Krishnamachari did well to sound his trumpets before the walls of Jericho. If those walls do not fall, it will only show that we are not God's chosen people after all.

India and Saudi Arabia

IN recent weeks India, with her traditionally generous hospitality, has been receiving several top dignitaries on the world stage. Practically on the heels of the Soviet leaders has arrived King Saud Ibn Abdul Aziz of Saudia Arabia. Even though the political and economic systems of Russia and Arabia vitally differ from each other, in the eyes of India their representatives are equally welcome without any invidious distinction. The great popular enthusiasm has been equally spontaneous, warm and generous. This, if anything, is a visible demonstration of the identity of interests between the two countries—of the policy of positive neutrality and peaceful co-existence with all the countries of the world to which this country is pledged. While India's foreign policy has enabled it to steer clear of power blocs and their military alliances, and yet maintain cordial relations with both, with Saudi Arabia, however, India's relationship has remained on a more long-standing footing, based as it is on age-old bonds of fellow-feeling arising from cultural and commercial intercourse.

Cementing the friendship between the two peoples further is the identical foreign policy followed by India and Arabia. Both have refused to be drawn into either of the two power blocs or their military alliances such as MEDO. Both have refused to be subjected to any cold war pressure. Both are, at the same time, pledged to work for peace and enlarge the area of peace in the world in the true spirit of the Bandung declaration. At the State banquet held in His Majesty's honour, the President, Dr. Rajendra Prasad, drew pointed attention to the fact that Saudi Arabia's policy of neutrality has had a salutary effect on the international situation, particularly in the East. Significantly enough, King Saud joined hands with India in declaring that the similarity of positions of the two countries "imposes upon us the necessity of co-operation, so that we may contribute our share in the establishment of peace and amity in this troubled world".

A monarch of such lofty vision, King Saud has earned a reputation for his administrative acumen at home. Although legally Saudia Arabia is an absolute monarchy, the actual governance is conducted through a number of Ministers and a Council of Advisers. Since he ascended the throne in November 1953, he has done a great deal in uniting the warring tribes and consolidating the land under a single kngdom. More than that, he has been indefatigably striving in every direction to bring prosperity and peace to his countrymen with whom he has become extremely popular. He keeps constant touch with his people and understands their problems and needs. He has been waging a war on illiteracy. A large number of schools and hospitals have been opened. Widely travelled, King Saud knows the requirements of his country to make itself modernised. Under his leadership, Saudi Arabia has, in short, emerged into a period of renaissance.

However, no one realises more keenly than the King that bringing economic prosperity and raising the standard of living of his people is an uphill task. The principal source of the country's wealth is oil, the product of which during 1954 hit the record figure of 953,000 barrels a day. It provided employment to about 22,000 persons, of whom 65 per cent were Saudi Arabians and 15 per cent Americans. At the Ras Tunura marine terminal, considerable extension to the fields has been effected to accommodate the increasing number of tankers. Reflecting the country's economic improvement is the increase in consumption of petroleum products in Saudia Arabia. Increasing direct payments by the American oil company working in Saudi Arabia to the Government in the form of royalties and taxes, as well as growing customs duties resulting from higher imports—facilitated by the increased availability of foreign exchange—have greatly increased Government receipts. The present ruler has abolished the pilgrim dues, formerly a major income item of the Government. The rising Government revenues ($198 million from oil companies alone in 1952-53) are being usefully employed in constructive channels.

These factors, however satisfactory in themselves, should not blind anyone to the fact that, if all-round prosperity is to be achieved, considerable industrial and agricultural expansion will have to be planned for and executed. Saudi Arabia, in other words, cannot be considered as an industrialised country even though it is steadily moving towards industrialisation. It is doubtless a tribute to the King's political sagacity that, like India, he has refused to accept any aid with strings attached. But, unlike India, for reasons beyond her control, Saudi Arabia has not been able, by her own efforts, to make any remarkable stride in the industrial field. During their long years of contact with the Arab countries, the Western powers, barring exploitation of their oil resources, have done precious little to raise the economic and industrial well-being of these backward countries to the desirable extent. This being the case, it will be in the fitness of things for India to render whatever aid she can for the industrial development of Arabia. After his tour of the development projects in this country, the King himself will be in a position to suggest in what directions India can help Arabia in the matter of industrialisation. It will also be desirable to send a trade mission specially to Saudi Arabia and assess the extent to which our export products can be marketed in that country. As it is, India's trade with Arabia can, by no means, be deemed considerable. In fact, India's export trade with Saudi Arabia has been continually showing a heavy deficit. During the past three years, the value of our imports has amounted to Rs. 14.77 crores (1952-53), Rs. 14.81 crores (1953-54) and Rs. 17.41 crores (1954-55). Practically the whole of these were represented by motor spirit and fuel oils, including kerosene. On the other hand, India's exports to Saudi Arabia have been only Rs. 3.08 crores (1952-53), Rs. 3.51 crores (1953-54) and Rs. 3.14 crores (1954-55). Obviously, there is need for exploring ways and means of increasing our exports to Saudi Arabia.

THE WEEK'S NOTES

STOCK EXCHANGE REGULATION

PROPOSALS FOR stock exchange reform have had a long history in this country and the Bill now proposed to be referred to a Joint Select Committee is the product of the inquiries of several committees. It is not the details which are important at this stage; in its time-sequence, the Bill had to follow the Company Law. The objectives that should guide reform of the stock exchanges have been quite admirably summed by the Finance Minister in his speech on the motion for reference to a committee. There is always the possibility of these objectives being side-tracked in a general hunt for malpractices, real and imaginary. "The economic services", said Mr. Deshmukh, "which a well-constituted and efficiently run securities market can render to a country with a large private sector, operating under the normal incentives and impulses of private enterprise, are considerable." Marketability and price-continuity for shares, reliable purchases and sales, evaluation of the real worth of shares so as to attract savings in competitive investments are some of the incentives and impulses which have to be provided for. These objectives may not appeal to those who are dead set against speculation of any kind or to those who wish the private sector to be, in any case, squeezed out gradually. Such persons cannot argue on the merits of the details but if the broad features of Mr. Deshmukh's analysis are accepted, a constructive approach to the Bill should be easily forthcoming.

The necessity to secure recognition of stock exchanges by Government, official regulation of their constitution and organisation, while leaving autonomous authority to their governing bodies, power to amend byelaws in some cases and intervention in abnormal situations are all in the category of regulatory powers which cannot be resisted. Among the special powers sought is the one to compel the 'listing' of securities by some public companies and the right of appeal granted to the company. A check on blank transfers is sought to be imposed by providing that a registered share-holder can retain rights to dividend or bonus unless the transferee gets it registered in his own name. More detailed regulations of stock exchange practices are to be laid down by rules, the object of which now will be to standardise procedures. The Finance Minister has, while apparently responding to the opposition of the proposal to create a Stock Exchange Commission, diverted the powers of control to a department of the Company Law Administration. This is on a par with the decision taken in respect of Company Law to avoid an independent statutory body and it is a moot point whether the critics have really gained as a result.

HINDU SUCCESSION

IN ACCEPTING amendments to Clauses 3 and 6 of the Hindu Succession Bill, as redrafted by the Joint Select Committee, the sponsors of the Bill seem to have recognised the force of criticism against the provisions which could have caused great confusion. The debate in the Rajya Sabha has revealed the wide divergence of views on some provisions of the Bill which was changed by the Select Committee in undue haste. The unhealthy practice of substantial changes being made at advanced stages of legislation has become the rule. In ordinary official measures, it may not evoke much opposition, but in a major legislation like the Hindu Succession Bill, affecting every Hindu household, the practice becomes all the more objectionable, because public opinion is being shut out at all the vital stages of the Bill from making itself felt. A number of provisions introduced in the Bill are not only revolutionary in character. They have also aroused keen controversy, the extent of which is reflected in the dissenting notes to the Report which number as many as eleven.

Two of the amendments contemplated—the removal of the mother from the class of simultaneous heirs and the cancellation of the provision by which illegitimate children had been placed on a footing of equality with children born of marriage—were, in any case, necessary because of the obvious anomalies they created. Article 6 of the Bill, relating to devolution of interest in coparcenary property, on which 18 amendments have been moved, if passed into law in its redrafted form, would have reduced, in some cases, the share of undivided sons to the extent that they would have to give to each daughter as much a share of the property of the deceased father as she would be entitled to if there had been no partition before, and share the remainder between themselves. This anomalous position could have been avoided by either entirely replacing the Mitakshara law by the Dayabhaga or by preventing, through legislation, partition during the survival of the father. The latter course can hardly be feasible or practicable. Mr. H. V. Pataskar, who is pilotting the Bill, came nearer to the first course when he stated vaguely that the anomaly could be prevented by giving the father the right to bequeath the joint family property which, in effect if not in name, would supersede the Mitakshara. Society is going through continuous social and economic changes, and the Mitakshara system, notwithstanding some of its advantages, may have to disappear in order to facilitate the free circulation of property. Already, the estate duty law has to proceed on assumptions about the nature of an "estate" which are not in consonance with the old law. The Rajya Sabha has now unanimously amended the Bill to the effect that the share of a divided son in the interest of the deceased father in the coparcenary property will not be included in computing the daughter's share.

UNIVERSITY GRANTS AND EDUCATION

THE UNIVERSITY Grants Commission Bill, as it has emerged from the Select Committee, may not allow the universities a sufficiently free hand in the formulation of their own policies. As it is, Sections 12 to 14 of the Bill give the Commission very wide powers in respect of inspection, investigation and withholding of grants which will naturally curtail the effectiveness of the universities in framing and executing their policies and even day-to-day administration. In order to ensure autonomy of the universities, a proper course would, perhaps, be the determination of block grants, as proposed by the Radhakrishnan Commission. The universities would then feel free to chalk out their educational programmes according to what they would think the best and sound system. This would not necessarily infringe the function of the Commission to set up minimum standards of education, which is, undoubtedly, its responsibility. It is, however, a matter of some satisfaction that Dr. Mono Mohon Das categorically declared, during the course of the debate, that the "Centre will not interfere with the choice of universities", which seemed to be directed to allaying the fears of the members from South who have strongly voiced their opposition to the introduction of Hindi in haste. He stated that the Government was anxious to give every possible help for the development of all the 14 regional languages recognized under the Constitution.

There are, however, some obvious flaws in the report of the Select Committee to which exception has

been taken by seven members in their dissenting notes. The personnel of the nine-member Commission is proposed to be entirely selected by the Centre, with only three non-official nominees. It is very likely that such a Commission, besides not always drawing the right representatives, will be left with little initiative and confidence to execute its functions with vigour. The difficulty of distinguishing constituent and affiliated colleges, which number over 900, will always remain. With the limited funds at its disposal, the Commission will be unable to make available adequate grants to all the colleges and, in this process, some priorities which will be interpreted as preferences cannot be overlooked. Regulations to be framed for determining the standards, that would entitle any institution to a grant, could well have been incorporated in the Bill itself. Moreover, standards will have to be broad-based to avoid any stereotyping of university courses in a large and variegated country like ours. To keep abreast of scientific developments, the universities will need to devote more attention to technological, atomic and other engineering subjects.

THE QUESTION OF THE QUORUM

ONE OF the three Constitution Amendment Bills—the fifth in the row of such Bills—introduced in the current session of Parliament, seeks to amend Articles 100 and 189 of the Constitution so as to reduce the quorum of either House of both Parliament and State Legislatures. According to the existing provisions, the quorum, in the case of both Houses of Parliament, is one-tenth of the total number of members, and, in State Legislatures, ten members or one-tenth of the membership, whichever is greater. Further, the provision that, if the quorum is not complete at any meeting of the House, the presiding authority shall either adjourn the House or suspend the meeting until there is a quorum, is sought to be deleted. In the Rules of Procedure, it is sought to be laid down that a quorum would be necessary only at the commencement of the day's business, and not for its continuance till the House rises.

There may be little objection to adopting measures as the exigency of the situation demands, or rectifying any loopholes that may be discovered in practice. These proposals must cause some concern. It has been observed, particularly in the last session of Parliament, that the interest of members in Parliamentary proceedings wanes, often resulting in lack of even minimum attendance. There may be no danger of 'snap' divisions upsetting Government, but the field will be left free for the executive to go about its business on its own assumptions and make it even more powerful than it is today. Discussions in the House will lack reality, as they already do in some measure, because of decisions taken at party meetings which bind the members of the party in power. If the full strength of the legislative body need not even be as large as a Select Committee which has about 45 members on major matters, the deliberations cannot be impressive.

The amendment will only accelerate the decline in the sense of responsibility of members. Such provisions may be harmless in a country where the opposition is fairly strong in numbers. In India, where the ruling party is exceptionally strong and can be expected to maintain its vigilance, the measure will only rob the deliberations of Parliament and State Legislatures of all the remaining interest, leaving the fate of the nation to be decided by a small circle of the zealous few.

SAMPLE SURVEY OF BIRTHS AND DEATHS

THE FERTILITY of women in India has a distinctive pattern, according to the results, recently published, of a countrywide sample census of births and deaths conducted by the Government of India in 1952-53 and 1953-54. Births per 1,000 females in the same age-group for "all-ages" as well as individual age-groups are the highest when compared to North America, some European countries and Japan. However, like these countries, fertility in the age-group 15-19 is low but rises sharply in the next, slightly in the third and begins to decline from 29 onwards. In the U.S.A., the decline sets in at 24, and is sharp after 29, as in the case of England and Japan. In the age-groups 40-44 and 45-49, the fertility in India is the highest as compared to the other countries.

The sample census was confined to 1 per cent of the households in selected districts in 20 States, with a population, in 1951, of 27.82 crores, which is 78 per cent of the total Indian population. The figures of birth and death rates obtained are lower than those computed by the Census Actuary in 1951. Yet they are much higher than the registered rates which are very inaccurate. Notwithstanding the results obtained in a majority of the States which show decline in the birth rate, it is admitted that there may have been an amount of under-enumeration of births in the sample census. But the possibility that the rate has somewhat fallen from that of the 1941-50 decade cannot be altogether ruled out. About death rates, however, drawing any conclusions of a fall will be wrong.

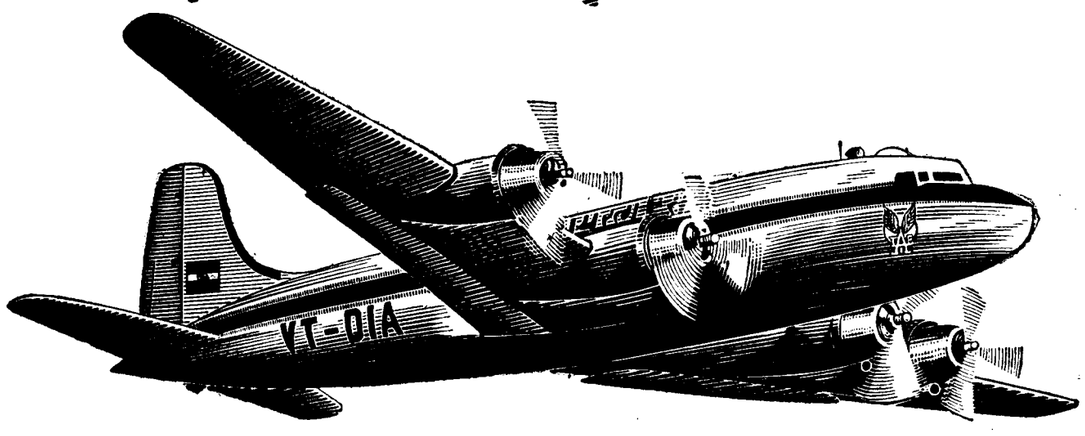
An average Indian woman produces 6 to 7 children, which is about double in the U.S.A. and three times in England. According to Mr. R. A. Gopalaswami's report of the Census of India, 1951, the proportion of births of the fourth and higher order is, for an underdeveloped country like India, the incidence of improvident maternity, which is between 30 and 50 per cent in the whole country. Unexpectedly, this incidence is higher in the urban than in the rural areas. Nevertheless, one-fifth to one-third of the children die before their mothers, which is a disquietingly high percentage. As much as 50 per cent of deaths occur among children under 10 years as against only 9.7 and 5.3 per cent in the U.S.A. and England respectively. In the age-groups above 10 also, the specific death rates are very high in India. For females in the reproductive ages 15-44, the mortality rates are generally higher than for males, which is the reverse of the trend in England and the U.S.A., where maternal mortality has been effectively controlled. These, however, are not new conclusions.

PREVENTION OF CORRUPTION

THE PREVENTION of Corruption Act, 1947, lays down the procedure for facilitating investigation and trial of corruption cases. However, the Act restricts itself to the cognizance of offences only under sections 161 and 165 I.P.C. In the absence of a similar cognizance of offences under Sections 162, 163 and 164 I.P.C., there is no effective method of dealing with agents and touts through whom illegal gratification and bribes are secured by corrupt officials. The Government has accordingly proposed to amend Section 3 of the Act, to bring these sections also within the scope of the Act. So far as the objective is concerned, namely eradication of corruption at all levels, there can be no two opinions. It is only the limited scope of the Bill that may give rise to doubts whether the measure is adequate. But it is to be remembered that mere law, however stringent, cannot always be completely effective in itself. Moreover, the question of the revision of all laws being now before the Law Commission, it will be the function of that Commission to look into the larger questions of the Law of Evidence and Procedure-



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A Window on the World

NOBEL-ITY : THE MORAL FOR INDIA

By

ODYSSEUS

WHO WINS Nober prizes and why?

Last week, I published statistics which showed that since the inception in 1901 of the Nobel prizes for chemistry, medicine and physiology, and physics, and up to 1950, 164 scientists of various nationalities have shared 146 prizes, that over that period Germany led the world with 39 winners or 23.7 per cent of all winners, that Britain came second with 31 winners or 19 per cent, the U.S.A. third with 27 winners or 16.4 per cent, and France fourth with 16 winners or 9.7 per cent. During those years, however, Germany was gradually ceding first place to the U.S.A. and between 1940-50 Germany had only four winners, giving her a percentage of 11.2, while the U.S.A., which in 1901-18 had only two winners giving her a percentage of 3.8, had risen to 14 winners and a percentage of 14.1 over the rest of the world. Britain has retained second place, rising from 15.1 per cent in 1901-18 through 22.2 per cent in 1919-39, to 20.6 per cent in 1940-50 (a slight decrease of 1.6 per cent).

In the current issue of the "British Journal of Sociology" from which I take these facts, Mr Leo Moulin observes that the dates when a country received its first and its most recent Nobel prize suggest (a) the level of research reached and (b) its continuity. See the Table. It is obviously not by chance that Germany and Britain obtained prizes in the first years and also recently: it is evidence of a long continued effort and tradition. Although the U.S.A. had a physics prize as long ago as 1907, she had to wait until 1914 and 1933 for prizes in chemistry and medicine; but the fine flowering of her science is suggested by prizes in 1946, 1949, and 1950. Of interest to India, which has but a single scientific prize winner (Sir C. V. Raman for physics in 1930), is the question: Are the "small" countries (by which Mr Moulin means those other than the leading countries) handicapped? The four leaders have together received 113 prizes out of 164, i.e., approximately 68.8 per cent. The eleven "small" countries (Austria, Belgium, Denmark, Finland, Hungary, Italy, Netherlands, Portugal, Switzerland, Sweden) have only 46, i.e., approximately 28 per cent, compared with 39 for Germany alone. I agree with Mr Moulin that these differences may be explained by the superiority in equipment and the enormous financial resources necessary for modern research and which only the "big" countries have. That the disparity is less in medicine (in which the "small" countries get 35 per cent of the prizes) than in physics (24.4 per cent) or chemistry (23.5 per cent) seems to support this.

FACTORS IN SCIENTIFIC SUCCESS

It has been said that most of the American Nobel prize winners owe their success to their European culture because they were either Jews fleeing Nazi persecution, or scientists of European training. But of the 8 American physics prize winners, only one was born outside the U.S.A. Of the 12 medical prize winners, only two were born abroad. On the other hand, it remains a fact the significance of which I leave to others to assess, that the U.S. Nobel winners mostly came from the same ethnic groups—German, Jewish, Scandinavian, English, or Scots—whose aptitude for science has been outstanding. On the question of residence abroad, the numbers of American prize winners who studied in Europe are balanced by the European prize winners who studied in the U.S.A.

The conclusion seems that the prodigious impulse which has raised the U.S.A. from sixth place in 1901-25 to first in 1926-50 is explicable without dragging in Jewish immigration or European education. It probably arises because the U.S.A. has reached a certain level of scientific, political, economic, and social maturity. "The exact sciences are an offshoot of this formidable explosion of vitality which has," Mr Moulin emphasises, "showered upon them the millions of dollars required in these days for research." Unquestionably there is a substantial element of truth in this contention: you cannot study the uses of atomic fuel if you cannot afford to build a reactor, but at the same time the reasons for America's post-war scientific leadership seems to require further investigation because, if taken literally, Mr Moulin's theory boils down to the assertion that any fool can achieve the highest in science if he is given enough money. I don't believe it.

Mr Moulin's analysis of the lives of Nobel prize winners is extremely interesting.

The average ages of the prize winners were: physicists 45|6, chemists 50, doctors 56. The youngest physics winner was 25, chemist 35, and doctor 32. The 15 youngest physics winners are all less than 39, whereas the chemists are below 47 and the doctors 48. There is, of course, a tradition of child prodigies in mathematics which the nature of the subject makes possible. You may be able to fiddle with noughts and crosses while at school and achieve mathematical miracles, but you had better not fiddle with cyanide until you're old enough to know when to stop. It is interesting that the lower average for mathematics persists at the other end of the age scale, for the average age of the oldest physics winners is lower than the chemical and medical winners, being 61.4 against 63.2 and 69.4.

At what age is a man at the height of his powers? The Nobel prize is merely the final recognition of success. Mr Moulin deplores the lack of data that would enable one to establish at what age the idea of his discovery germinated in the scientist's mind. Some information gathered concerning doctors in the period 1901-37 suggests that the average age of initial discovery in the medical group studied was 37. The average age at which these doctors received their prizes

Country	Physics		Chemistry		Med-Physiology	
	First	Last	First	Last	First	Last
Germany	1901	1943	1902	1950	1901	1939
United States	1907	1946	1914	1949	1933	1950
France	1903	1929	1906	1935	1907	1928
Great Britain	1904	1950	1904	1947	1902	1945

Note: For explanation, see Odysseus' text.

was 54, so that the old truism that the path from genesis to fulfilment is long and full of toil is once more flood-lit.

THE FAMILY BACKGROUND

Marriage statistics on Nobel winners are sadly incomplete, but Mr. Moulin has ascertained that of 18 physicists the average age of marriage was 31, ranging between 24 and 39. Of 17 chemists, the average age was also 31, ranging between 25 and 46. The average age for 24 doctors was only 29, which suggests that although doctors take longer than other students to graduate, once graduated they are able to find jobs and to set up homes more quickly. Chemists seem to live wilder lives than doctors. For, whereas the 1926 chemical winner married thrice (at 25, 32 and 54), the 1929 winner twice (at 29 and 40) and the 1946 winner for the third time at 56, all the 24 doctors of whom data are available were content to jog along with the original partner of their choice.

Fifty-seven prize winners (of whom information is available) had 164 children, i.e., slightly less than three per family.

Mr Moulin deplores inadequate data on the social origins of the prize winners, pointing out the value that exact information on the social environment in which research workers grew up would have. On data covering 21 physicists out of 54, 19 chemists out of 51, and 37 doctors out of 59, he has, however, established one important fact often advanced in this column: leadership comes from the middle or upper classes. The social origins of the winners have never been "humble." Their fathers are drawn from the nobility, service officers, upper class business men, lawyers, clergy, etc. Two or three, however, rank as "agriculturists," a term as vague in Europe as it is in India. Among the middle class fathers are a watchmaker, an artisan, a gunsmith, a cooper, and a forester. Most of the professions of the fathers of Nobel prize winners require high intellectual and moral integrity: professors of physics and geology, officers, clergymen, judges, engineers, and civil servants constitute the majority. Of the four middle class professions noted, two at least require high precision: the watchmaker and the gunsmith. The fourth, the forester, requires exceptional powers of observation. Of the 37 prize winning doctors, ten were the sons of doctors.

The conclusion suggests itself that family environment exercises a preponderant influence in the development of scientists and that habits of regular work, discipline, and absolute probity learned from family example, and superior educational facilities, are indispensable for success in scientific research (as, one may add, in any other field!).

Almost all prize winners carried out a study course outside the countries of their origin, as students, research workers, or professors. Certain universities with strong scientific traditions stand out for the number of great scientists whom they have trained or attracted, and among these Cambridge heads the list with 9 physics prize winners. Munich follows second with 5 chemists.

The moral for India seems twofold: (1) Get on with that Five-Year Plan in order to multiply wealth so that India can afford the high cost of scientific advance, and (2) Don't tax out of existence the middle and upper classes on whose leadership we depend for success.

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A DELHI DIARY

MINUS TWO!

LEAVING aside the dramatic reception accorded by Calcutta to our distinguished Russian visitors and the less dramatic, but none the less welcome, appearance of His Majesty, King Saud Bin Abdul Aziz Al Saud of Saudi Arabia in Delhi, I propose to absorb myself entirely with some constitutional arithmetic. A minor shock has been delivered to the Congress Party and, via the Congress Party, to all Parliamentarians by the defeat of Government's move to refer the Constitution (Seventh Amendment) Bill to a Select Committee. Out of the total membership of the Lok Sabha of 499, only 248 voted, thus defeating the rules requiring the presence of at least half of the total membership of the House when a motion concerning amendment of the Constitution is put to the vote. A frivolous mathematician has pointed out to me that newspaper reports that there were two persons short is inaccurate; since the total membership of the House, for some obscure reason, is 499 and not 500, even a fraction of a man might have been enough. But leaving aside the quibbling of my mathematical friend, the facts remain that the Government schedule of legislation on the States Reorganisation Commission and on the General Elections have all had a jolt because of the absence of two men, not necessarily of any particular political conviction. A minor crisis has thus appeared because of a minus sign!

COFFEE, IDLI, DOSAI

The Minister for Parliamentary Affairs captured the Prime Minister immediately after his return to Delhi from Calcutta on Thursday. My sympathy is with the Prime Minister who really did not need a Parliamentary crisis to add at this time to his continuing Discovery of India. But what can now be done? A post mortem has failed to produce a good scapegoat. Was the trouble that tea was being served too lavishly for the two (or more) Members by which the quorum was short? Profound researches on the subject have been conducted to see why a whip is not effective. On Thursday, various excuses were found and presented (as if on a platter) to conciliate the Speaker who contended that the doors of the Chamber had been closed quite properly two minutes after the division bell had rung. One Member said that he was at the post office, implying that business with that leisurely body, obviously, could not be concluded in two minutes and, therefore, in some manner he had an excellent reason for non-attendance. Another Member said that it took more than two minutes to arrive from one portion of the House to another, implying that, since all portions of the House are equally free to Members, the interval between the ringing of the bells and the closing of the doors, in order to be related to the architectural demands of the building, should be suitably extended. There were some observations that some Ministers resident in Delhi were not in their places. This, I believe, was as good an alibi as any. If a post office and a tea room can be good reasons for absence from the House, surely hard File and Conference work are an adequate justification.

May it be that even Ministers were attracted by other things? I was much intrigued by the point made on Thursday when the Deputy Speaker asked that the quorum bell may be rung and observed (when his resounding efforts had not had much success): "I wonder what is the attraction in the Central Hall which is not here". Quick came the reply, Coffee, Idli, Dosai, Sir. Being addicted to all these disturbers of public duty, may I say that my sympathy goes fully to the absent Members. Mr. Satyanarain Sinha, the Minister for Parliamentary Affairs, was not amused. He remarked bitterly: "The only way to maintain a quorum is to close the Hall". Can it be that this means that coffee, idli and dosas will no longer be served? Perhaps the Central Tea Board would rejoice, but as far as my limited knowledge of Members of Parliament goes, there will be a minor, but important, revolution.

THE AMBAR CHARKHA

The Congress Party, it seems, is suffering the trials of a split personality. Not indeed that its embarrassment in the House this week was the expression of this split, though, I imagine, one of the preoccupations which explains lack of interest in the House is an absorption with the States Reorganisation Commission's recommendations on which there is certainly a divided mind. The split personality, as I see it, is more clearly visible in a strange contrivance which I have only seen for the first time this week. It is called the Ambar Charkha; it is a hand-driven little wooden apparatus approximating in purpose to the spinning ring-frame. I have heard so much about the Ambar Charkha that I naturally expected a moderately well-developed machine. What a fall is there, my countrymen, when one beholds in hard life the beloved object of one's economic dreams!

It amazes me how people of some considerable intelligence hold the view that the Ambar Charkha is the answer to our employment problems. I cannot see, having looked carefully at the "rollers" and the drawing mechanism, how the quality of the yarn on an Ambar Charkha can equal that of a modern spinning ring-frame; nor, I believe, can anyone else. Apart from quality, what would be the wages of a person running these eight spindles by hand against one driving 400 or at least 200 by power? Any quick arithmetic will show that the wages of a man on the Ambar Charkha would be a tenth of that available to a mill hand working on a ring-frame. In point of fact some slow arithmetic that I have done (and more which my friend "Croesus" has published in 'The Eastern Economist' previously) suggests that the Ambar Charkha will not be able to pay on its own a fifteenth of the wages in the mill industry. Must employment be driven hand in hand with starvation?

GANDHI AND LENIN

As a tailpiece I quote this time, with genuine and even warm approval, Mr. Shriman Narain, General Secretary of the Congress, with whom I have often had the hardihood to differ. On this occasion, I, or at least my views, embrace not merely Shriman Narain but also the 'Economic Review', official organ of the A.-I.C.C. which, in its December issue, carries an article by Shriman Narain on Mr. Bulganin's reference to Lenin and Mahatma Gandhi. I quote only one sentence: "There is a fundamental difference between the philosophies of Lenin and Gandhi. Mahatma Gandhi, in accordance with the ancient traditions of India, firmly believed that the means were as important as the ends and that wrong and impure means polluted the nobility and purity of the end itself...."

I wonder whether Mr. Khrushchev, who carries a designation corresponding to that of Mr. Shriman Narain in the USSR, will publish a rejoinder in the appropriate official document in the Soviet Union? There are many people in this country who would like the debate to continue until there is peaceful co-existence between the philosophies of Gandhi and Lenin. Or may it be that peaceful co-existence in philosophy implies that we should be as silent on Lenin's philosophical errors as we are on his political practice? What, indeed, are the limits of philosophical debate in the Panchashilan world? Does mutual respect and integrity mean that both sides have to keep their mouths politely but firmly shut?

ARGUS.

In the Valley of Decision

TANGLED SKEINS OF YARN

ONCE again a controversy among Ministers of the Central Cabinet is brewing which promises to keep itself alive for some time. A party meeting to discuss the issues involved in the dispute is regarded as likely. It is significant that such differences among individual Ministers have been found again and again to be unavoidable in making policy decisions on our economic affairs, while political issues, domestic or foreign and not even so controversial a matter like States' Reorganisation, create such situations. Considering that Mr. T. T. Krishnamachari, Minister for Commerce and Industry has again taken an unequivocal stand on one side of the present controversy, one is tempted to ask whether these differences within the Cabinet and party follow a definite pattern, with definite predetermined loyalties, personal or ideological. Prima facie, there are no definite lines of thought which run on consistent courses and the fact that the Prime Minister has permitted such differences to exist, finding a modus vivendi each time they threaten to affect the Cabinet, shows that he at least finds some virtue in the existence of such differences, at least till subsequent events make them look rather odd.

Three years ago, the question of "decontrol vs. control" was being fought out by two Ministers making conflicting statements on the floor of Parliament and the advocates of control have remained to learn, by events, of the limitations of their approach. Then came the rivalry of the two sectors over steel only twelve months ago, and the honours seemed even; but the fact that Mr. T. T. Krishnamachari now heads the Ministry of Steel devoted to the public sector proves how little the controversy had to do with the private sector as such. The question today, whether there should be a ban on the installation of new spindles in mills until the Ambar Charkha's potentialities as a large-scale yarn producer are explored, seems relatively a small issue. But a decision on this may have consequences which go beyond the question whether licence is granted or not immediately for new spindles.

It cannot be said that in these differences there are definite identifiable groups within the party. Those who were in favour of controls were not, though always on the side of the public sector this would seem logical. Again, the so-called champions of the public sector have, curiously enough, pleaded for large extensions of the unorganised sector in industry, which involves a relaxation of regulation over a wide private sector, which makes for diffusion of responsibility for hitting targets and hence for more uncertainty in the implementation of plans. The issue now involved—whether there should be a ban on the addition of new spindlage in order to help the Ambar Charka progressively to establish itself as a major contributor to the yarn requirements of handlooms instead of new spindles in mills—relates less to the 'philosophy' of hand industries and more to the economics of cloth production under the Plan. In principle at least, the demand for protecting the Ambar Charkha is similar to the demand made on behalf of the handlooms earlier, for enforcing a ceiling on mill cloth production, which has been now conceded substantially. It is only an extension of that principle into an allied field. Mr. T. T. Krishnamachari recently declared himself a convert to the 'philosophy' of the handlooms but is now clear that what he actually had in mind was that he was convinced of its economic virtues, at least at the present time.

The maintenance of the handloom was necessary to protect an existing volume of employment. There was a visible market for its products up to certain known limits and there was also limited scope for the widening of this market, which has now made the existing employment in handlooms slightly more remunerative. But the limits to this process have long been evident. Handloom cloth production (excluding powerlooms) has reached in 1954 the highest level (since 1946) of 1318 million yards. Mr. Krishnamachari does not expect this to increase by more than 250 million yards a year during the next five years and even this with difficulty. The limited objectives of the Government's handloom policy may thus be fully achieved because a practical twist has been given to a policy which, in origin, seemed to have too much of an emotional content, born of sympathy for the weaver.

With the Ambar Charkha the position is altogether different. The new type of spinning evolved here has its right place in the scheme of activities of the All-India Khadi and Village Industries Board. If by making Khadi out of the improved charkha the cost of cloth can be brought down and its quality and market improved, there is no one to raise his voice against it, since Khadi has acquired a place, though a modest one, in the scheme of things. But the limitations of Khadi, like the limitations of the handloom, in providing cheap cloth or in attracting a vastly increased number of consumers cannot be overlooked. Will a mere arithmetical calculation of the numbers likely to be employed if the Ambar Charkha could produce large quantities of yarn make it also an economically feasible proposition? Did spinning for Khadi—even in its heyday when the Gandhian legend had its greatest popularity—ever attract spinners in such numbers as to make them craftsmen, clinging against all odds to a traditional vocation because they could exhibit their skill and pride of craftsmanship in making yarn? While the men behind the looms have been craftsmen in a real sense who have found patrons and who have persisted in practising their occupation till they have been found deserving of assistance, the success of the Ambar Charkha depends entirely on creating afresh, from among the job-seekers, a similar class. The problem here, it is obvious, is not the same as in the handlooms. Even if the spinner's average earnings can be guaranteed to be equal to those of the handloom weaver, the attractions would be few.

To make the Ambar Charkha take the place of mill spindles would involve a tremendous task of organisation besides the cost on subsidy, but any one can see that in the end, it is destined to fail. The result would be to jeopardise on the one hand the supplies of yarn to the handlooms, which have just recovered and are using more of finer counts of yarn. They cannot have a guarantee that their clientele will continue, if they start using different yarns, or that their skill can be transferred with equal effect to the new material. Here really is a case of conflict between the interests of two labour-intensive processes—handweavers and handspinners—except that the latter is still unborn. May it also be a conflict between labour and skill? The other major group interested—which is rarely considered, much less consulted, is the consumer. In a situation of shortage that is likely as a result of the confusing nostrums, he will have to pay a higher price for his cloth which may not profit the practitioners of manual skill so much as the textile mills. That will be time enough, perhaps, to revert to the old question whether controls should be revived.

LEO.

WORLDGRAM

AGRICULTURE

Barrage for Additional Irrigation in West Pakistan: The West Pakistan Government has awarded to a British-owned company a contract worth Rs. 63 million for the construction of a barrage at Gidu on the river Indus. The contract is believed to be one of the biggest ever awarded in Pakistan. The barrage is being constructed to protect the existing cultivated areas of the Upper Sind and parts of Baluchistan, and to bring an additional 2.3 million acres under cultivation. It will also assist in controlling floods.

*

Rise in World Meat Output: World output of meat has risen by over one-third since 1938, a rate of increase fully shared by Commonwealth countries where better management, improved grass strains, control of rabbits and the increased carrying capacity of pasture have all played a significant part.

*

Lower U.S. Farm Receipts in Third Quarter: Farmers' cash receipts from marketing in the first three quarters of 1955 are estimated by the U.S. Department of Agriculture at $19,700 million, four per cent less than in the corresponding period of 1954. The total volume of farm products marketings was about the same as the year before. Receipts from livestock and livestock products were five per cent less than in 1954 and crop receipts were down by three per cent.

INDUSTRY

Electricity From Atomic Energy: The world's first large-scale atomic power station is nearing completion in the U.K. and will start operating next year. The £15 million Calder Hall "A" project, when completed, will generate a gross output of 92 megawatts of electricity. The second, identical station, Calder Hall "B", will come into operation in late 1958 or 1959.

*

German Atom Plans to be Speeded-Up: German atomic plans are likely to be speeded-up. Building of the 6,000 kilowatt reactor at Karlsruke is to be finished early in 1958. Costs amounting to 40 million marks (£3.3 million) will be shared between German industry, the Federal Treasury and the Land Wurttemberg. The reactor will require about six tons of natural uranium and 10 to 15 tons of heavy water.

*

Promoting Production of Electrolytic Pig-Iron in Japan: The Ministry of International Trade and Industry is intending to enforce from next year a Five-Year Plan for promoting production of elctrolytic pig-iron in Japan. The plan is intended to cut production cost of steel and improve its quality as such processing will realise by-products as ammonium and titanium slag. Economisation of foreign currency also is anticipated as it calls for utilisation of 500,000 tons of iron sand and 100,000 tons of waste sulphuric acid, both available in Japan.

*

More Machines Used in Australian Coal Mines: The increased use of machinery in coal cutting and loading in New South Wales underground mines is disclosed by figures issued by the State Minister for Mines. Of a total of 13,703,289 tons of coal produced in underground mines in 1954, 7,891,177 tons or 57.6 per cent was mechanically cut, and 8,436,582 tons or 61.6 per cent was mechanically loaded. In 1953, 55.6 per cent of underground coal was mechanically loaded. In 1952, the percentages were 51.2 and 52.1, respectively.

*

Australian Oil Production Increases: The quantity of oil processed in Australian refineries has risen by 33 per cent since 1954. Australia expects to use a record quantity of petroleum products in 1955. Consumption rates for all petroleum products rose steadily in the first six months of the year. Motor spirit consumption rose by 10 per cent to 426,000,000 gallons during that period. Local refineries produced almost half this quantity.

*

Synthetic Rubber Industry for U.K.: A £7 million scheme to produce general purpose synthetic rubbers in the U.K. has been announced by four major tyre companies. To carry out the project, a new undertaking, the International Synthetic Rubber Company, is being formed. The initial ordinary share capital issued will probably be £4 million. The initial production of the project is expected to be of the order of 50,000 tons of G.R.S. (general purpose synthetic) a year and should commence in 1958. At present, the British tyre industry consumes about 1,50,000 tons of natural rubber a year.

*

Indian Electricity Output: During July, 1955, 700 electricity power undertakings in India produced 722.2 million kilowatt hours of electricity of which 583.3 million kwh were sold to ultimate consumers. The new inclusions during the month are two generating stations at Angul in Orissa and Deag in Rajasthan, and two purchasing undertakings at Sultanpur in PEPSU and Badkulla in West Bengal. As compared to June, electricity generation increased by 8.6 million kwh. The corresponding figures of output and sale for July, 1954, are 631.3 million kwh and 515.8 million kwh and for July, 1939, 209.8 and 174.3 million kwh, respectively.

*

Standard on Methods of Chemical Analysis of Brasses and Bronzes: The Indian Standards Institution has published an Indian standard on methods for chemical analysis of brasses and bronzes. The standard covers methods of sampling and chemical analysis of various grades of brasses and bronzes used in different industries. The methods described deal with the determination of copper, lead, tin, manganese, phosphorus, nickel, iron, silicon, aluminium, zinc, arsenic and antimony. The methods of analysis prescribed in this standard have been prepared so as to be useful as reference methods. Due consideration has, therefore, been given in the preparation of this standard to the facilities available in the country for carrying out such analysis.

TRADE

New Zealand Import Control Changes: Further relaxations in New Zealand's import licensing requirements have been announced for 1956. The number of items which may be imported without licence from any country (world exemption items) is to be increased to 136 by the addition of 41 items, including corn planters and pickers, forage harvesters, pick-up hay balers and wheat tractors. The number of "scheduled" countries, for all of whose goods (except world exemption items) import licences are required, is to be reduced to 20 by eliminating Albania, Argentina, Bulgaria, French Somaliland, East Germany, Hungary, Poland, Rumania, Tangier and the U.S.S.R.

*

Protection to be Granted to Indian Piston Assembly Industry: The Government of India has accepted the Tariff Commission's main recommendation that protection should be granted to the piston assembly industry till December 31, 1957, by levying a duty of 50 per cent ad valorem standard on trunk piston assemblies of 6" diameter and below and piston rings and gudgeon pins required for such piston assemblies

imported separately, the preferential rate of duty being fixed in accordance with the India-U.K. Trade Agreement. The protective duty recommended by the Tariff Commission is being brought into force with immediate effect.

*

German Trade Records: German foreign trade in October set up new records both for exports and imports. Exports rose by 9.5 per cent to £197 million, about £3 million more than the previous peak of December 1954. Imports, valued at £186 million, were about 2 per cent above the previous peak last September. During the January-October period German exports totalled £1,762.5 million and imports £1,688.2 million. The former rose by 17 per cent, the latter by 29 per cent. A surplus for 1955 of some £100 million is anticipated by experts.

*

Swedish Timber Exports: Sweden's timber exports, which in the third quarter averaged from 25,000 to 30,000 standards per month, are estimated at about 22,500 standards for October. Principal buyers for that month were U.K. and the Netherlands.

*

Australia Cuts Trade Deficit: Tightening of import restrictions last April is believed to have led to the improvement of Australia's trade figures in the first quarter of the current financial year. In the quarter to September 30, Australia had a deficit of £A39.4 million against one of £A55 million for the same period last year—an improvement of £A15.6 million. The deficit with the sterling area declined from £A38.6 million to £A26.7 million, that with the dollar area from £A13 million to £A10 million, and with other non-sterling areas from £A3.25 million to £2.5 million.

FINANCE

India's Loan to Burma: According to the terms of the loan agreement between India and Burma for Rs. 20 crores signed recently, the loan should be drawn before September 30, 1956, and the repayment would begin from 1959. The principal amount of the loan should be paid in half-yearly instalments of Rs. 2½ crores each.

*

Bond Issue in Switzerland: A Swiss franc bond issue of the International Bank for Reconstruction and Development was publicly offered in Switzerland on November 25 by a syndicate of leading Swiss banks. The banks offered a par Sw. Fr. 50,000,000 (approximately $11,600,000) of 3½ per cent 20-year sinking fund bonds. This was the sixth public issue of the Bank in Swiss francs. The issue offered is known as the 3½ per cent Swiss Franc Bonds of 1955. Interest will be payable annually on January 1, with the first payment due on January 1, 1957. The bonds will be repaid at par in ten instalments of Sw. Fr. 4,000,000 on January 1, in each of the years 1965 through 1974; and two instalments of Sw. Fr. 5,000,000 will be repaid on January 1, 1975, and January 1, 1976.

GENERAL

Rockefeller Grant to Indian College: One of the largest grants made by the Rockefeller Foundation during the third quarter of this year goes to an Indian public health project to be carried out at the Christian Medical College, Vellore, Madras, State. The $34,100 granted to the college for use during the next four years is part of more than $1,075,000 allocated by the Foundation during the quarter. The field area of the college will be developed into a primary health service unit in which students will receive field experience to supplement formal courses.

*

Social Welfare Body Grants: A total of 351 grants, recurring and non-recurring, to voluntary welfare institutions in different States, amounting to Rs. 7,23,705 have been sanctioned by the Central Social Welfare Board. This brings the total amount sanctioned as grants-in-aid to Rs. 75,89,726. Of the 351 new grants sanctioned, 130 are for child welfare institutions, 105 for women's welfare institutions, 16 for those concerned with the welfare of delinquents and 100 for general welfare institutions.

*

U.S. Building Peak Forecast: Construction activity in the U.S. is expected to rise to a record level of $44,000 million in 1956. The predicted volume is 5 per cent above the anticipated 1955 total of $42,000 million. Construction spending is expected by the U.S. Departments of Commerce and Labour to increase despite a 1 per cent decline in private home building.

*

Expert Committee on Nutritive Properties of Sago Made From Tapioca: The Government of India has set up an Expert Committee to examine the nutritive and other properties of sago manufactured from tapioca and to suggest measures for improving its quality. The Committee will examine whether the product marketed so far in India as sago is different from that made in other countries and how it compares in nutritive value and other properties with sago prepared out of sago palm. The Committee will also study whether sago is a wholesome product and can be recommended for the use of children and invalid persons. It will recommend steps necessary to maintain a good quality that will make the product consistently safe to the consumer.

*

"Hague Club" Plan Extended to Belgium and Luxemburg: Belgium and Luxemburg have joined the multilateral payments system (the "Hague Club" plan) set up earlier this year by Brazil, West Germany, Britain and the Netherlands.

*

The SUNFED Proposal: Thirty-two of the 60 Member-States of the UN have proposed that UN and specialised agency members be asked for detailed views on the structure and operation of the proposed Special UN Fund for Economic Development (SUNFED) to provide information for drafting the statute of the fund. The sponsors of the proposal are 13 Latin American, 16 African-Asian and 3 European States. India is one of the sponsors.

*

UN Convention on Road Traffic: Austria has ratified the UN's 1949 Convention on Road Traffic and its related Protocol on Road Signs and Signals. Nineteen countries are now parties to the Convention, which is designed to increase road safety and standardise traffic rules throughout the world. The Protocol is intended to bring about uniform highway markings in Europe. It has now been ratified or acceded to by eleven nations.

*

Regional Convention on Navigational Vessels: A regional convention on the measurement and registration of inland navigation vessels has been drawn up at Dacca, East Pakistan, by the Inland Waterways Sub-Committee of the U.N. Economic Commission for Asia and the Far East which met from October 24 to 29. Cambodia, China, Indonesia, Laos, Thailand and Viet-Nam have already stated that they are willing to sign the convention.

NEWS IN BRIEF

INDIAN

The problem of stepping up house-building activity in the country, with particular emphasis on industrial housing, was discussed in New Delhi recently at the second meeting of the Housing and Regional Planning Panel of the Planning Commission with Mr. G. L. Nanda, Minister for Planning, in the Chair.

*

The Government of India proposes to extend the benefits of the Employees' Provident Fund Act, 1952, to other industries as soon as a decision is reached in this matter. The number of workers likely to be brought within the purview of the benefit provisions of this Act will be about 14.2 lakhs.

*

The total expenditure incurred on account of the States Reorganisation Commission up to September 30, 1955, was about 11 lakhs of rupees.

*

Dr. C. P. Ramaswami Aiyar, Vice-Chancellor, Banaras Hindu University, has been appointed as a member of the University Grants Commission vice Acharya Narendra Deva who has resigned his membership of the Commission.

*

A comprehensive volume, entitled "Social Welfare in India", which is probably the first publication of its kind in this country, has been issued by the Planning Commission.

*

An industrial scheme, designed to rehabilitate the Gadia Lohars of Rajasthan has just been sanctioned by the Central Government. Under the scheme a chain of workshops are to be set up in Chittor and other parts of Rajasthan. A loan of Rs. 1,38,400 has been sanctioned to the Rajasthan Government by the Centre for this purpose.

*

It has been decided by the Government of India that no tea seed should be allowed to be exported from India during the year 1955-56.

*

The Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, has brought out a 'Guide to Current Agricultural Statistics' in which a detailed examination of the relevant official and non-official publications giving data in respect of Indian and world agricultural statistics has been undertaken.

*

The second Anti-Locust Conference was held in New Delhi under the 1954 Indo-Iranian Convention on November 23 and 24. This convention for the control of desert locust is a continuation of an older convention signed by the Governments of India and Iran in August 1947.

*

The import of books and periodicals from all countries, except the Union of South Africa, is covered by an Open General Licence valid up to the end of September, 1956, according to the Union Minister for Commerce. There is also no control over the export of books and periodicals.

*

The first stage of discussions in regard to the setting-up of a steel plant in India with the delegation from the Indian Steel Works Construction Company have been concluded. The discussions are expected to be resumed in January 1956. The plant, which would be owned entirely by the Government of India, would produce about 350,000 tons of pig-iron for sale and about 750,000 tons of steel products.

FOREIGN

Australian wheat growers face the prospect of a 120-million bushel carry-over by the next harvest, according to Mr. S. O. Cowlishaw, President of the Australian Wheat Growers' Federation.

*

To make better known the help that British business men can get from officials of the U.K. Government stationed abroad, the Foreign Office and the Board of Trade has published a pamphlet called "Helping the Exporter".

*

Prices, wages and salaries may be frozen in Chile if Congress approves new Government measures aimed at braking the continuing rise of inflation.

*

Britain was voted off the 24-nation Executive Council of the U.N. Food and Agriculture Organisation at its conference in Rome on November 23.

*

The Nepal Government would shortly name a planning commission and a high-powered advisory committee for it. The Commission would work out a plan-frame and other details of Nepal's Rs. 21-crore first Five-Year Plan recently announced by King Mahendra.

*

The next international conference, aimed at a general reduction in tariff levels, will open in Geneva on January 19, 1956. The conference is expected to last until May 1, 1956.

*

Sig. Bennardo Mattarella, Italian Foreign Trade Minister, plans to visit India next month to explore the possibilities of furthering trade between the two countries.

*

A Czech mission arrived in Cairo on November 25. The aim of the mission is to develop the scope of the three-year trade pact between the two countries.

*

Figures for Britain's overseas trade for October show an adverse balance of trade of £52,800,000 for the month.

*

The volume of trade within the European Coal and Steel Community went up by 164 per cent for iron and steel products, 34.8 to 44.4 per cent for different varieties of coal, 10.5 per cent for coke and 177 per cent for scrap iron.

*

Pakistan's tea crop at the end of October amounted to 40.73 million lbs., as compared with 45.83 million lbs. a year ago.

*

The possibility of an increase of $12 per ton in the price of steel in the U.S. by July next is indicated by the American magazine "Steel."

*

The proposed offer of shares by the Ford Foundation to the public will be extended to foreign countries also. The offer will begin on January 16, 1956.

*

The Burmese Government has decided to make a gift of 20,000 tons of rice to Yugoslavia.

*

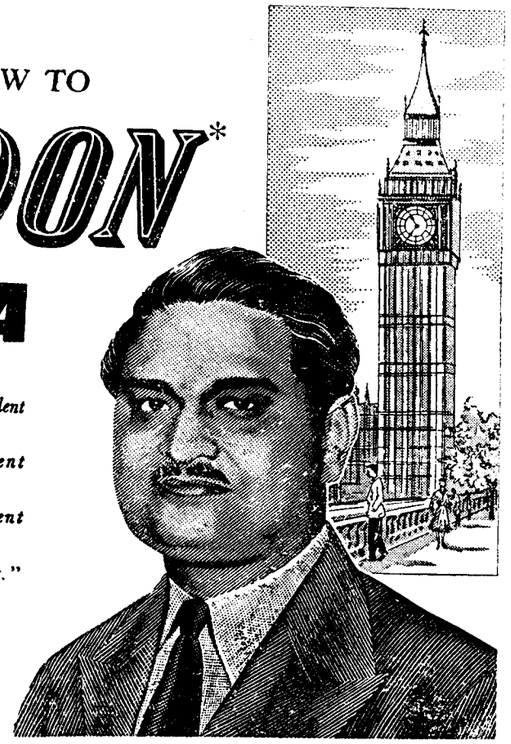
Price controls on newsprint might be introduced in Quebec, Canada, if Quebec newspapers did not receive special price considerations, according to the Premier of Quebec.



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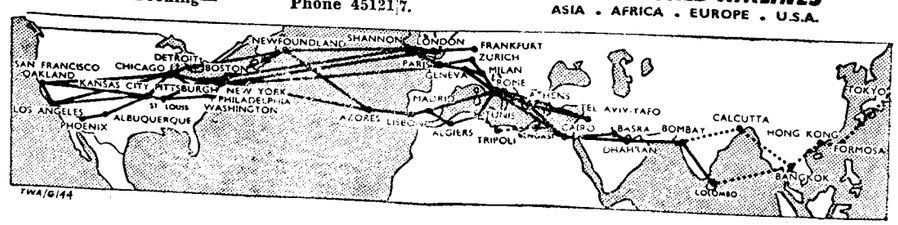
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Economic Report from the U. S.

HARNESSING NUCLEAR ENERGY FOR CONSTRUCTIVE PURPOSES.

(By Guy Sims Fitch)

NEW YORK, Nov. 29.—Ever since man's genius turned the atom into a source of power 10 years ago, business men in the United States have known that nuclear energy can play an increasingly constructive part in economic life. It may be significant, therefore, that while news of the explosion of a powerful nuclear test weapon in far-off Siberia was being flaunted before the world last week, a group of American business executives was concluding a week-long educational course on the peaceful applications of the atom. Each day from early morning till late at night, 69 leaders of industry and finance, few of them trained in engineering and none in nuclear science, sat in class with books and notepaper, listening to experts and studying their lessons. They learned about the inside of the atom, construction of an atomic reactor, disposal of atomic wastes, and all the other factors that go into the safe and efficient operation of civilian atomic energy industry.

Actually, this was the fourth of these little-publicized courses to be held this year under the aegis of the National Industrial Conference Board, one of the nation's leading business research organizations. In all, 300 executives, including a number from other lands, have attended them. The latest group included men not only from all over the United States, but one from Spain and two from Japan as well. Another four sessions will be held next year. They, too, will be open to people from any country.

A nuclear neophyte—even if schooled in traditional engineering courses—cannot become an atomic expert in a week. Many of the companies represented in the "student body" do not even have atomic energy to know what is involved in setting up intelligent and profitable atomic operations to meet the growing opportunities they see ahead. The progress already made in the United States certainly warrants their optimism. Just in the past year, for instance, business men have seen the U.S. Atomic Energy Commission begin its long-planned licensing of private atomic power projects and allow access to hitherto restricted information. They have seen eight private groups draw up workable plans for the construction of large-scale atomic plants for the generation of electric power. One such plant is now being built and work on several others is expected to start soon. They have seen reactor design progress to the point of making the atom an economic source of peacetime power. Only a few weeks ago, one company announced a new design that, it claims, will bring operating costs of an atomic power plants down to seven-tenths of a cent per kilowatt hour, well within the range of present conventional costs in the United States and far below the range in some other countries.

Nuclear progress has by no means been confined to the electric power fields. Business men have seen the atom used to speed up and improve the refining of oil and the vulcanization of rubber, and to make new and better chemicals. The steel industry is investigating its use in improving blast furnace operations. They have seen the atom used in medicine, to develop and improve anti-biotics and to detect and conquer disease. They have seen it used in agriculture, to test soil nutrients and enrich crop yields. Research is bringing nearer the sterilization and pasteurization of food by radiation.

On the international side, they have seen the U.S. Government sign agreements with 28 other countries covering conditions of co-operation in atomic matters. Groups in Japan, Venezuela and other lands are benefitting through the exchange of information with American companies already well advanced in peacetime nuclear technology. And only last week, in the first transaction of its kind, an American company sold an atomic reactor for the generation of electricity to a group of Belgian industrialists.

This progress marks only the beginning of the road to a new Atomic Age. Much remains to be done in the way of expanded research, training of needed atomic scientists and technicians, and international co-operation, before the promise of the future can become much more than the challenge of the present. Events of the past year prove that no one is more aware of this than the American business man.

India's Tea- India's Wealth



ACREAGE AND PRODUCTION

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PST 151

Special Articles

THE BEHAVIOUR OF FOREIGN INVESTMENTS

THE main story contained in the Reserve Bank's Survey of India's Foreign Liabilities and Assets up to the end of 1953, which was published last week, does not relate to India's overall position as creditor or debtor. India's long-term foreign assets have always been held predominantly in the official sector and the changes from time to time in these assets have been known. These assets estimated at Rs. 1112 crores comprising foreign Government securities (Rs. 373 crores), debts due from Pakistan and Burma (Rs. 348 crores), subscriptions to and quotas in the IMF and World Bank (Rs. 229 crores) and deposits relating to annuities for payment of pensions (Rs. 186 crores) have been known and the assets of the private sector, now calculated as Rs. 63 crores, is the only new factor now disclosed. On the other hand, the liabilities of the public sector, which have been estimated at Rs. 583 crores in a total of Rs. 1036 crores, contain (besides the pensionary liability and the loans received by the Government of India) securities of public authorities owned abroad of about Rs. 254 crores (which correspond on the debit side to the subscriptions to the two international financial institutions shown above). These are of routine knowledge.

It is only the total of the private sector's liabilities, estimated in the Survey at Rs. 453 crores, that constitutes the major significant item in the Survey, and a breakdown of this figure has a vital bearing on the policies and plans for the future. There is not much virtue in the mere knowledge that India does or does not maintain a net creditor or debtor position by a small margin. There are some political factors connected with the assets relating to Pakistan and Burma's debt has now been wiped out, thus the creditor position may change, as indeed it is intended to, if India should succeed in attracting more and more foreign investments. The exact overall position may have some relevance at this stage only because it indicates that India at the moment is quite unencumbered by problems of servicing or remunerating external debts. Though this is well known and India's stable level of sterling balances over the last few years has borne out the absence of pressure on her exchange position, a rough assessment is now available to reinforce that conclusion. The decline in the country's creditor status in the last five years has been incidental to the political settlements of 1947 and was due less to the needs of rapid economic development increasing its external liabilities. That the creditor position has not declined faster still has to be regarded with even some concern, since it has been accepted that such decline should continue until the repayments of loans more than match the inflow of foreign capital.

The net increase in private foreign business investment between July 1948 and December 1953 is now estimated to be Rs. 132 crores as shown in the table on the next page. Firstly, these investments have turned out to be as significant in their total volume as the foreign loans available to the public sector in the same period, comprising the Wheat Loan (Rs. 90 crores) and the World Bank loans (Rs. 22 crores). Secondly, this net increase of private foreign investment completely belies some of the calculations made hitherto of movements of long-term capital, on the basis of balance of payments statistics. These data disclosed a net disinvestment of about Rs. 60 crores, the major portion of which occurred between 1948 and 1950. However, the deficiencies of the payments statistics had been evident, though there was no other source available hitherto to put them in perspective.

LONG-TERM CAPITAL MOVEMENT, 1948-1955

(Rs. Crores)

1948	Assets	Liabilities	Net Assets
1948 ..	— 9.8	—26.1	+16.3
1949 ..	— 4.1	—23.3	+19.2
1950 ..	— 7.9	—16.0	+ 8.1
1951 ..	—10.8	—14.2	+ 3.4
1952 ..	— 9.9	—17.4	+ 7.5
1953 ..	— 8.0	—10.5	+ 2.5
1954 (Pre.) ..	— 6.8	— 7.1	+ 0.3
1955 (I Qr.) ..	— 2.3	— 4.2	+ 1.9

(Source: Reserve Bank Bulletin, August 1955).

The Survey was undertaken to remedy this deficiency and though it is not as complete as the old Census of 1948, the margin of error is not expected to be wide. The main difference between the payments statistics and the Survey is that the latter takes into account reinvested profits of foreign business and foreign investments made in the shape of goods or machinery imported into India but not reflected in payment statistics because of payments being made abroad by the principal investors. (The Survey has in this connection ignored the foreign liabilities and assets of individuals and partnerships but this is not expected to make a material difference).

Two factors stand out in this Survey. The first is that 85 per cent of the net increase in private foreign business investment of Rs. 132 crores was direct investment accompanied by control. Secondly, nearly half this total comprised reinvestment of retained profits. Only about Rs. 30 to Rs. 35 crores represented the inflow in cash of new capital, while the rest came by way of goods and machinery. Even these figures are broad approximations on certain assumptions about the magnitude of certain other kinds of transfers like 'migrant' transfers. It has also to be borne in mind that to this net increase in business investments of Rs. 132 crores, something has to be added to know the gross inflow, part of which was later offset by repatriation. This additional amount has been estimated to be Rs. 45 to Rs. 50 crores, giving a gross inflow of Rs. 175 to Rs. 180 crores.

The major conclusion to be drawn from this Survey is that private foreign investment is more significant than is usually believed and that it seeks those channels in which it can flow without losing full control over the investment. Only about Rs. 20 crores have been 'portfolio' investments in Company Shares, unaccompanied by control. Secondly, it is also clear that the inflow has been insignificant in respect of new companies registered after 1948 (except in oil refineries); the investment in new companies is only about Rs. 11 crores of which again about Rs. 7 crores was controlled from abroad and only about Rs. 3.6 crores represented 'portfolio' investments. (The inclusion of the oil refineries would mainly involve a transfer of the bulk of the retained profits now shown against the oil trading companies to the new companies). British investments constitute 92 per cent of the total; net investments from the U.K. have amounted to Rs. 137 crores, and those from the U.S.A. to Rs. 13 crores, while there has been a net decline in investments from Ceylon, Burma and Pakistan, bringing down the total to Rs. 132 crores.

The implications of this Survey for future policy are obvious. It is not quite relevant to discuss whether foreign investment should always seek full control in the manner it does. If it tends to flow generally on such conditions, there is little that can be done about it; only the minimum of restrictions on such control may encourage it to continue to flow. The apprehensions caused by company legislation or taxation or other aspects of controls may act as disincentives, at least to those who do not have such close knowledge of Indian conditions as some of the established businesses have. If the country has to trust to the latter mainly for increased investments as in the last few years, some at least of the legitimate fears entertained by them may have to be allayed. In this context, the question is whether there should be satisfaction over the net increase shown here excluding retained profits or concern over the extent of outward movement of capital (which has been now verified to be of the order of over Rs. 120 crores as shown in the payments statistics) of which about Rs. 50 crores is regarded in the Survey as involving repatriation of business investments.

INCREASE IN BUSINESS INVESTMENTS BETWEEN JUNE 1948 AND DEC. 1953

(Trade-wise) (In lakhs of rupees)

Trade	Total on 30th June 1948	Net Position of Branches	Controlled Equity Value of Ordinary Shares	Total	Portfolio	Grand Total Increase Over 1948
Manufacturing						
Mineral Oils and Products	1,01	+ 8,51	+ 5	+ 8,56	+ 12	+ 8,68
Sugar	1,30	+ 1,98	+ 6	+ 2,04	— 12	+ 1,92
Electrical Goods	4,77	+ 2,09	+ 4,46	+ 6,55	+ 69	+ 7,24
Matches	1,73	..	+ 1,08	+ 1,08	+ 41	+ 1,49
Cigarettes and Tobacco	6,17	+ 54	+18,76	+ 19,30	+ 18	+ 19,48
Building Materials	1,42	+ 73	+ 473	+ 1,46	+ 61	+ 2,07
Medicines and Pharmaceuticals	45	+ 71	+ 3,66	+ 4,37	+ 71	+ 5,08
Iron and Steel Products	5,48	— 2	+ 1,23	+ 1,21	— 1	+ 1,20
Food Products	1,82	..	+ 1,91	+ 1,91	+ 24	+ 2,15
Others	47,80	+ 24	+10,12	+ 10,36	+ 4,10	+ 14,46
TOTAL	71,95	+14,78	+42,06	+ 56,84	+ 6,93	+ 63,77
Trading						
Food Products	3,49	+ 57	— 3,26	— 2,69	— 22	— 2,91
Iron and Steel Products	3,62	— 2,50	— 14	— 2,64	— 29	— 2,93
Jute and Coir Goods	2,64	— 1,98	— 2	— 2,00	+ 18	— 1,82
Mineral Oils and Products	21,32	+44,68	+ 1,50	+ 46,18	— 10	+ 46,08
Others	33,28	—11,02	+ 2,75	— 8,27	+ 28	— 7,99
TOTAL	64,35	+29,75	+ 83	+ 30,58	— 15	+ 30,43
Utilities	18,61	+20,00	— 41	+ 19,59	— 90	+ 18,69
Transport	12,62	— 16	+ 83	+ 67	— 5	+ 62
Mining	11,46	— 3,84	+ 1,09	— 2,75	— 33	— 3,08
Financial	31,74	—14,11	..	— 14,11	— 1,43	— 15,54
Banks	—8,77	+ 3,58	— 17	+ 3,41	+ 26	+ 3,67
Insurance	14,74	— 65	— 4,18	— 4,83	+ 6,21	+ 1,38
Investment	90	+ 7	+ 32	+ 39	+ 2,39	+ 2,78
Others						
TOTAL	38,61	—11,11	— 4,03	— 15,14	+ 7,43	— 7,71
Plantations	50,31	+21,60	— 1,57	+ 20,03	+ 49	+ 20,52
Tea	1,94	— 12	— 24	— 36	— 25	— 61
Others						
TOTAL	52,25	+21,48	— 1,81	+ 19,67	+ 24	+ 19,91
Miscellaneous	14,40	— 49	+ 5,26	+ 4,77	+ 6,15	+ 10,92
Managing Agency	3,32	— 51	— 1,60	— 2,11	+ 31	— 1,80
Others						
TOTAL	17,72	— 1,00	+ 3,66	+ 2,66	+ 6,46	+ 9,12
GRAND TOTAL	287,57	+69,90	+42,22	+112,12	+19,63	+131,75

Increase (+) or Decrease (—).

INCOME BRACKETS IN WEST BENGAL TOWNS: 1950 & 1955

RECENT studies conducted by the Indian Institute of Public Opinion in West Bengal provide some rough and ready evidence of the manner in which incomes are distributed in certain West Bengal towns. The towns chosen in this survey were Balurghat, Englishbazar, Darjeeling, Jalpaiguri, Bankura, Midnapore, Suri, Asansol, Burdwan, Krishnagar, Serampore, Chinsura, Bhatpara, Berhampore and the city of Calcutta. The sample taken in these district towns included 796 interviews while Calcutta(including Tollygunj) was covered by 500 interviews. In addition, 204 interviews were taken covering rural areas in the six districts of West Dinapur, Bankura, Midnapore, Birbhum, Burdwan and 24 Parganas. Thus, in all, the sample consisted of 1,500 interviews

The figures obtained are not so much of interest in themselves; they are interesting as affording a basis of comparison with the distribution of incomes as revealed in the family budget survey in 23 towns of West Bengal including Calcutta conducted by the Government of West Bengal in 1950-51. If we assume, which is theoretically not objectionable, that both samples were representative and therefore capable of correctly describing the universe at the times of these respective surveys, we might obtain a comparison of the manner in which money incomes have moved in the last five years.

The following table incorporating the results of the two surveys gives in percentage terms the number of incomes in each group, Re. 1 to Rs. 100, Rs. 101 to Rs. 200, Rs. 201 to Rs. 350, Rs. 351 to Rs. 700 and Rs. 701 and above .

TABLE I.

PERCENTAGE DISTRIBUTION OF SAMPLED FAMILIES IN WEST BENGAL INTO DIFFERENT INCOME-GROUPS

Monthly Income-Group Rs.	September, 1950 to February, 1951 (23 Towns Including Calcutta)	August, 1955 (15 Towns Including Calcutta, and Rural Areas of 6 Districts)	Percentage of Families that Moved to the Next Higher Income Group in 5 Years
1-100	31.22	24.73	21
101-200	33.31	37.13	8
201-350	19.50	20.33	9
351-700	11.86	12.66	9
701 & above	4.11	5.15	—

This table shows that over the towns as a whole there has been a pronounced upward movement in money terms. Thus, as will be seen in the last column of the table, 21 per cent of the families counted in the lowest income-group in 1950-51 had moved on to the next higher income-group by August, 1955. The movement from the second to third group might conceivably be 8 per cent and so on. It may, of course, be that persons from one group have jumped more than one stage whilst others have lost further ground. But the overall picture is one of general prosperity in which it would appear that incomes have moved up significantly in every group.

Unhappily, this is not the position shown in Calcutta City. Here the figures show the opposite result with a great addition in the Rs. 101 to Rs. 200 group with losses from all the higher income groups and even a downward movement from the second to the first and the lowest income group. This anomaly in Calcutta is almost entirely the result of an accentuation of the refugee problem, particularly in the Tollygunj area which was included in the Indian Institute of Public Opinion Survey whilst not being a portion of the original West Bengal Survey. To that extent it may be that the Calcutta figures are not comparable, as the samples in the two cases do not cover exactly the same area for Calcutta.

TABLE II.

PERCENTAGE DISTRIBUTION OF SAMPLED FAMILIES IN CALCUTTA* INTO DIFFERENT INCOME-GROUPS

Monthly Income-Groups Rs.	September, 1950 to February, 1951	August, 1955	Percentage of Families Who Fell to the Preceding Lower Income-Group in Course of 5 Years
1-100	13.5	19.0	—
101-200	28.9	43.0	19
201-350	26.4	14.0	74
351-700	21.2	15.0	34
701 & above	10.0	9.0	10

* The I.I.P.O. Survey includes Tollygunj also.

It must also be rembered that in 1955 the working class cost of living in Calcutta was somewhat below that in 1950-51. The table below shows the series for both the working class cost of living and 'Capital' middle class cost of living index numbers since January, 1950. Taking the latest figures of working class cost of living index, one might be disposed to say that an income of Rs. 100 in 1950-51 (from September 1950 to February, 1951, to be precise) would be worth, in real terms, 7.6 per cent more in August, 1955. In the case of middle class groups from Rs. 350 onwards, however, the real income has gone down by something like seven per cent over the 1950-51 level.

Drawing the results together, one might argue that while there is a notable advance in standards in West Bengal towns as a whole arising from two factors, firstly, a movement up of money incomes and secondly, a movement down of the cost of living, the Calcutta position is very confused. The chances are that there has been a deterioration in per capita income in Calcutta and that the reduction in the cost of living has not offset an increase in the number in the lower income bracket.

TABLE III.

WORKING CLASS AND MIDDLE CLASS COST OF LIVING INDEX NUMBERS FOR CALCUTTA

	1950		1951		1952		1953		1954		1955	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
January	339	350	344	366	357	386	337	387	325	386	324	388
December	352	369	370	388	346	391	329	391	321	391	..	..

(a) = Working Class.
(b) = Middle Class.

The Business World

FREE ENTERPRISE IN A PROSPERITY STATE

By

CROESUS

IT is only seldom that one comes across, these days, speeches that are at once thought-provoking, forthright, and yet dignified. Whenever that happens, one naturally feels compelled to take prominent notice of such a speech, because of its merits, and quite regardless of who makes it or what the occasion of the speech is. I would unhesitatingly place in this category the Chairman's (Mr E. D. Sheppard) address to the shareholders of Killick Industries, Ltd., at the last annual general meeting of the Company held on November 25, 1955. The title of this piece is purposely made up of two expressive and meaningful phrases, "Free Enterprise" and Prosperity State," employed by Mr. Sheppard and, inasmuch as these do not arouse in one's mind any adverse psychological reactions such as the corresponding phrases "Private Enterprise" and "Welfare State" invariably do, one would like to see these gain wide currency. Such, in my opinion, is bound to do more good to business men and Government than some of those affected themselves are prepared to concede.

Be that as it may, it is the good fortune of "Free Enterprise" that there are, even to this day, some of the shrewdest and ablest men in the country who are proud to declare (as did Mr. Sheppard) that they are "unrepentent believers" in the efficiency of this system. Free Enterprise today is confronted with a challenge—"*stimulating in its greatness*"—*to account* for an investment outlay under the Second Five-Year Plan of Rs. 2,200 crores in the Private Sector. Mr Sheppard chose to regard the next five years, therefore, "as a period of challenge," and he hoped that, during this period, it would **"be possible for the Private Sector to prove, in friendly and competitive rivalry with the Public Sector, that it is fully equipped to assist the country to attain its ultimate goal of a Prosperity State** —a phrase I prefer to that of Welfare State—**through the production of constantly increasing wealth and by its fair and equitable distribution."** The Killick's chief thus accepted not only the mixed economy concept and the necessity therein for both the State and Free Enterprise to work in "friendly and competitive rivalry" but also declared that Free Enterprise "*is fully equipped*" to assist the country in achieving its cherished goal of a Welfare State. When he said this, he was, of course, clear in his own mind as to what it all meant. Indeed, earlier, he had himself said: "It (Free Enterprise) will have to exert to the utmost every attribute it possesses in the way of managerial experience, technical skill and financial acumen to be victorious." ....."*Free Enterprise has the inherent* ability to succeed." This should hearten all votaries of Free Enterprise.

But, one cannot forget that, for a variety of reasons, "mainly springing from prejudice and lack of knowledge" as Mr. Sheppard remarked, Free Enterprise finds *itself operating in an atmosphere* of hostility, suspicion, and mistrust. Quite unwarrantedly, there are still many who seem to see nothing but evil in it and it is of the utmost importance, therefore—"not only for the future of joint-stock companies but also for that of the nation"—that this question should be viewed in a proper perspective. The able and admirable analysis of the Killick's chief, I must say, has provided such a perspective.

At the outset, Mr. Sheppard set out how the prevailing demand for a radical reform of the capitalist system arose, as also the suggested lines of such reform, together with the views of those who question not only the efficacy but even the wisdom of any such approach. In essence, it would seem, the problem boils down to a choice between the establishment of Governmental control over every aspect and feature of the country's economic system by resorting to nationalisation, progressive increase in taxation, etc., and the continuing of the prevailing mixed economy system, of course, after modifying it somewhat to suit the changing times. The first of these has ere now been tried in the U.K., a democratic country like ours, and it has already been realised that "the operation of such a system based on a central authority staffed by civil servants, unversed, as they are bound to be, in all the complexities of industrial management and company promotion simply did not work". Only a little while ago, even the Labour Party Conference in England rejected it and, by an overwhelming majority, voted against nationalisation and further extension of State ownership as a means of securing its social and economic ends. This, however, cannot apply to Indian conditions for obvious reasons. Even Free Enterprise spokesmen like Mr. Sheppard themselves admit that there is an immense amount of work to be done "which can and should be dealt with by Government". For instance, there are the several multi-purpose projects. Here Government alone is capable of handling the work, but can this be pressed into service to conclude that Government can run any industry? It is for Government to answer the Killick chief's challenging poser: "I wonder whether Government will be able to improve in any way on the Private Sector's knowledge and ability in the coal industry".

Meanwhile, I venture to affirm that the position is precisely what Mr. Sheppard described: "—it is that there is almost certainly no alternative to the co-ordinated efforts of both the State and Free Enterprise", in other words, "mixed economy". The Government of India's statement on Industrial Policy is clear on this point. All that is needed now is that "within this concept (of "mixed economy") good faith should be kept with the Private Sector". As Mr. Sheppard claimed, again, "it has a unique part to play and it is entitled to support and encouragement in the pursuit of its ends".

The Killick's spokesman, it is significant, did not gloss over malpractices found in the Private Sector, but, as both he and Mr. Tulsidas (when he addressed the Bombay Rotarians recently) remarked, this is no reason to banish a system which has been tried and not found wanting. The continuance of the present mixed economy, "provided it is vigorously and fairly directed", Mr. Sheppard felt sure, "will enable the country to achieve and maintain a standard of national well-being through full and gainful employment". This, however, should not remain a devout wish. If Mr. Sheppard's prediction—"should this happy state of affairs be permitted to come to pass, I venture to predict that the existing ideological conflicts in regard to the manner and method of economic development will die out, never to be revived"—should come true, as, I dare say, every spokesman of Free Enterprise would wish it

should, Free Enterprise cannot afford to remain complacent any longer but must be up and doing. It is a refreshingly happy augury that more and more joint-stock company chairmen are now coming forward to say that they regard it as their inescapable duty to define their views on important issues such as these unequivocally and in a straight-forward manner. "Honest and constructive opinion", to use Mr. Sheppard's words, "can only do good and should never be resented". All will agree that they can only do good but can any one be certain that they would not be resented?

PLANNING FOR THE SUGAR INDUSTRY

By

CROESUS

THE Deccan sugar industry, in particular, and the Indian sugar industry generally have fully justified the observation that I made early this year (vide page 21 of the issue of the "Eastern Economist" dated January 7, 1955) that given the necessary facilities, the Indian sugar industry can succeed in producing enough sugar to meet the country's entire demands. This has also been the conviction of Shri K. C. Somaiya, President of the Deccan Sugar Factories Association, a conviction to which he gave expression at the dinner he gave in honour of Mr. Ajit Prasad Jain, the Union Minister for Food and Agriculture, when he visited Bombay in January last. It is only natural, therefore, that, addressing the 16th annual general meeting of the Association last Monday (28th November, 1955), Mr Somaiya should have made a pointed reference to the achievement of the sugar industry during the 1954-55 season. "The year," he said, "has turned out to be the most eventful in the history of the sugar industry with the country's total sugar production reaching an all time record of 15.86 lakh tons, which exceeds the earlier record production of 1951-52 by nearly 87,000 tons. The sugar production in the Bombay State has followed the general pattern of the Bombay factories producing 1.73 lakh tons of sugar during the year which breaks all previous records." Mr Somaiya was hopeful that the country's total sugar production during the current season would be still larger than last season's record production. But he qualified this statement by adding "provided the Central Government act cautiously while fixing the minimum cane price and do not raise it to such an extent as would affect the cane acreage." At the same time he also wanted a categorical assurance from the Union Government that no sugar refinery would be permitted to be established in this country. He was, of course, aware that such has already been decided by the Government, albeit for the time being only. Inasmuch as the industry, especially the D.S.F.A., has been opposed to the move for the installation of sugar refineries in Bombay and other States on the ground that the sugar shortage is only a temporary phase and that the industry is not only capable of producing enough sugar to meet the country's demands but that, given adequate facilities, the sugar production can be increased to outstrip demand and the surplus could be exported abroad and the authorities should not find it difficult to comply with the wishes of the sugar interests.

Moreover, the idea of establishing sugar refineries in the country does not exactly fit in with the Central Government's policy of licensing new sugar factories in the various States. In the Bombay State alone, it is proposed to establish something like a dozen factories. While welcoming the co-operative sugar factories, the D.S.F.A. President struck a timely note of warning which, in my opinion, deserves to be heeded if the Government objective of increasing the sugar production in the country is not to be thwarted. Fears have been expressed by sugar interests, especially in Bombay, that in licensing new co-operative sugar factories, adequate care has not been taken to ensure that the cane supply to the existing units is not adversely affected. Mr Somaiya instanced the case of a new co-operative sugar factory, proposed to be located at a distance of only about six miles from two existing sugar factories. The result has been that some members who have been enrolled as members of the new co-operative sugar factories, are from both the villages where the existing factories are situated and also from villages beyond these factories. In conseqnence, it is feared much of the cane that would ordinarily have been supplied to the existing factories would be diverted to the new factory and actually transported through the area of the existing sugar factories. The problem, however, is not difficult to be solved. The D.S.F.A. itself has made a suggestion to the Bombay Government which is simple enough, namely, that the site of any new factory should be so selected that there is atleast a distance of 20 miles, as the crow flies, between an existing factory and a new one. This would ensure cane supplies within a radius of ten miles to each of the factories. As the D.S.F.A. chief observed this is an elementary precaution, but even so, if it is not taken and if the new factory were to draw its cane supplies from the area in which an existing factory already purchases its supplementary can requirements, the existing factory would not be able to work to its full capacity for want of sufficient cane. That means a lower output of sugar by the factory and, incidentally, a rise in its cost of production. In other words, not only would the all India production be adversely affected but sugar prices also might, as a result of the consequent shortage, rise. This, in all conscience, is not the desideratum which the Union Government has been bargaining for. I admire the courage of Mr. Somaiya, in these days when people are all out to plead for smallscale and cottage industries, in declaring that "the changing pattern of industry has outmoded the old idea according to which a sugar factory of 600 tons capacity used to be considered an economic unit. Today a factory of less than 1000 tons capacity can hardly be considered an economic unit." It is true, as he said, that there are in Western U.P., some sugar factories with a capacity of 3000 tons per day and that some are planning to raise it even to 4000 tons. Similarly, sugar factories in Mysore and Hyderabad are of bigger size still. In sharp contrast to this position, most of the sugar factories in the Bombay State are of less than 1000 tons capacity with only a few having a 1000 tons capacity and only one having the distinction of a maximum of 1300 tons capacity. It was Mr. Somaiya's plea that in order to ensure the development of the sugar industry on a sound and scientific basis, the existing factories should be allowed maximum expansion instead of allowing a large number of new factories below 1000 tons to be established. Otherwise, he apprehended, it would be very difficult for the new factories as well as the existing ones, with their necessarily high over-head charges, to face competition from large sized factories outside the State. Another argument which he pressed in support of his plea was that, from the point of view of investment resources involved in expanding the existing units and in the starting of new ones, greater advantage would accrue from the former course. "It is thus quite plain that, "instead of increasing sugar production by establishing new factories involving a huge capital outlay, the object could be more speedily and more economically achieved by the expansion of the existing units which would involve a far lesser drain on the financial resources of the country."

In regard to the Central Government's formula for linking cane prices with the price of sugar, the D.S.F.A. President expressed the hope that the Bombay Government would follow the same procedure of consulting the Association and deciding on the same principles every year the minimum cane price to be paid by the Deccan Sugar Factories in relation to the minimum cane prices fixed by the Central Government. It may be noted here that the Union Government's formula for linking cane prices with the price of sugar has not been made applicable to the sugar factories in the Bombay State by reason of the peculiar circumstances obtaining in this State where, unlike other States, the sugar factories grow a major portion of the cane requirements on their own farms. It must be added, however, that the canegrowers have not suffered on this account inasmuch as the Government has actually fixed a higher minimum cane price for the Bombay factories (at Rs. 44 per ton as against a minimum cane price of Rs. 1-7-0 per maund fixed by the Government of India) and, this, it may be added, was done in consultation with the sugar interests.

As is only to be expected, the greater part of Mr. Somaiya's address was devoted to the special problems of the factories in the Deccan area such as limited supply of canal water to the cane farms of the factories, the question of prohibiting large holdings of lands and fixation of ceilings, amendment of the Bombay Tenancy and Agricultural Lands Act, recent labour awards, and the B.I.R. act, export of oilcakes, sugarcane cess and molasses. For consideration of space, I shall make only a brief reference to the problem molasses. The problem of disposing of molasses is beset with peculiar difficulties especially in the Bombay State thanks to Prohibition. As a result of the State Government's prohibition policy, there have been restrictions on the disposal of molasses and applications for starting distilleries have been kept pending for years together notwithstanding the repeated assurances of the State Government that the matter would soon be dealt with in consultation with the Government of India. The sugar factories have given a solemn undertaking to undertake the manufacture of industrial alcohol by utilising the molasses provided they are offered reasonable facilities by the Bombay Government. But, strangely enough, there has so far been no response from the Government. It is to be hoped that the authorities will move in the matter atleast now and effect a solution to this long-standing problem.

The

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(Established : 1895)

Head Office: DELHI.

Statement Of Accounts As On 30-6-1955

LIABILITIES

(i) Paid-up Capital	Rs.	87,50,000
(ii) Reserve Fund	Rs.	92,50,000
(iii) Deposits	Rs.	86,12,49,473
(iv) Other liabilities consisting of acceptances, endorsements, bills payable, bills for collection, etc.	Rs.	16,94,01,920
Total	Rs.	1,04,86,51,393

ASSETS

(i) Cash and balances with Bankers		Rs.	8,05,75,142
(ii) Investments:—			
(a) Investment in G.P. Notes, Municipal Loans and shares guaranteed by the central and State Governments	Rs. 39,92,74,144		
(b) Other investment	Rs. 1,24,87,023	Rs.	41,17,61,167
(iii) Loans and Advances ..		Rs.	42,30,76,802
(iv) Other Assets including bills receivable, etc.		Rs.	13,32,38,282
Total		Rs.	1,04,86,51,393

B. N. PURI, General Manager

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BUSINESS NOTES

STEEL EXPANSION: TATA-KAISER PACT

THE TATA Iron and Steel Company, Limited, have entered into an agreement with Kaiser Engineers Division of the Henry J. Kaiser Company for the design, procurement and construction of a Rs 61,90,00,000 ($130,000,000) steel plant expansion at Jamshedpur. Kaiser Engineers of Oakland, California, is one of the largest engineering and contracting firms in the steel industry in the United States.

The participants to the negotiations, which have now been concluded, were Mr. J. R. D. Tata, Chairman, Tata Industries Limited (Managing Agents of the Tata Iron & Steel Company Limited), Sir Jehangir Ghandy, Director, Tata Industries Limited, Mr P. H. Kutar, Technical Director of the Tata Iron & Steel Company Limited and Mr E. T. Warren, President of Tata Incorporated, on the one hand, and Mr Henry J. Kaiser, Chairman of the Board, Henry J. Kaiser Company, Mr. Edgar F. Kaiser, President, and Mr. George Havas, Vice-President and General Manager, Kaiser Engineers Division, on the other.

The project will increase India's current steel capacity by approximately 45 per cent and raise the Tata plant's production from about 1.3 to 2 million ingot long tons annually. The job will require the purchase of approximately Rs. 23,81,00,000 ($50,000,000) worth of machinery and equipment and is scheduled to take only thirty months' time.

The expansion, providing new integrated facilities all the way from the handling of raw materials to finished steel, will include additional coking facilities, with a capacity of 4,000 tons per day; a new 28-foot diameter blast furnace; additional open hearth furnaces; a 46-inch blooming mill; a medium and light structural mill and a continuous sheet bar mill.

FERRO-MANGANESE FOR EXPORT?

REFERENCE TO the development of the ferro-manganese in India was made at Export Advisory Council Meeting last Sunday. Mr. Wilfrid Russell of Killick Industries said that there were ample reserves of manganese ore to supply a greatly expanded domestic steel industry as well as to build a separate ferro-manganese industry designed for export purposes. The production conditions in the two cases are not identical since the domestic industry is not intent on such high quality as would be required in an export industry competing with the foremost producers in the United States. It may well be that the best use which can be made of manganese ore at the present time would be in this direction. It requires roughly two tons of manganese ore to produce one ton of ferro-manganese and the profit margins on ferro-manganese are about four times what they are on manganese ore. India's foreign exchange position would be greatly improved if, instead of exporting the current volume of manganese ore, we exported half the quantity of ferro-manganese. Incidentally, there will be considerable saving on transport which represents the largest bottleneck in the development of manganese ores exports.

Mr. Russell pointed out that the decline in world demand for manganese ore last year may have been due to the cessation of stock-piling by the American Government coupled with high inventories and the passing fear in America that their economy was due for a recession. Another factor which may have influenced the remarkable decline in prices following the slackening of demand has been the sudden entry of the Russian Government into the world market. Considerable quantities of Russian ore, which has a much shorter freight lead than most of the producing countries in the world to the consuming centres, has been bought by the United Kingdom in a mutual effort with the Soviet Government to encourage East—West trade which is now running incidentally at about Rs. 27 crores annually. As Russia had been out of the world manganese market for approximately 20 years, this development naturally had a bearish effect on world prices of manganese ore which affected India seriously. Further reasons for the slump in the Indian Manganese ore export trade may well have been the knowledge in consuming centres that important new sources of production were about to become available, notably in the Amapa district of Brazil. The slump which set in half way through last year continued until approximately September 1955 when the demand for Indian ores of all grades has shown an encouraging increase with corresponding effects on prices. The opinion was expressed that "the mineral industry was in good heart and will be able to contribute handsomely to the exporting strength of the country's economy provided that it can be given, along with other industries, adequate means of transporting its minerals from the Mines to the Ports".

TATA-MERCEDES-BENZ

READERS MAY remember having read reports in the Press last year that the first Tata-Mercedes-Benz truck rolled off the assembly lines at Jamshedpur on October 15, 1954. They may also recall having noted that three Tata-Mercedes-Benz trucks, prototypes of the vehicles produced in the Telco Works, participated in the International Motor Rally, from Geneva to Bombay, in October-December last year and that, in the course of an almost continuous run for seven weeks at high speed keeping pace with fast touring cars, these three trucks covered a distance of about 8,000 miles under some of the most severe road and weather conditions without a single breakdown.

Although the latest to enter the field, the Tata-Mercedes-Benz truck and bus chassis have been received well, alike by the State transport organisation and private operators, so much so, we are told, the demand for vehicles is far in excess of the capacity of the Company's automobile division. In fact, Dr. Fritz Konecke, Chairman of Daimler-Benz, who with Telco, are partners in the Tata-Mercedes-Benz project, said in Bombay last week that, owing to heavy demand, the target of production has had to be doubled to 6,000 chassis a year. It may be recalled that Mr. J. R. D. Tata, Chairman of Telco, had actually mentioned at the Company's last general meeting that the management had in mind such a plan, involving an additional capital expenditure of Rs. 4 crores. It now transpires that the Company has had to revise its programme almost before it could be started.

The progressive manufacture of trucks and buses was started in April this year, and the complete chassis, including engines and transmissions, is expected to be entirely Indian made by the end of four years. As the economic activity of the country develops under the Second Five-Year Plan, the demand for trucks and bus chassis may be expected to grow, and the contribution that Telco and Daimler-Benz can extend in the field of road transport will be welcome.

Although Indo-German economic co-operation is of recent origin, it has made a good start. Last year, some Indian editors saw first hand the Mercedes-Benz Works at Stuttgart as well as the remarkable recovery that the Federal Republic has made since the war ended. Krupp-Demag, together with the Indian Government, are now erecting a steel plant at Rourkela in Bihar with a yearly capacity of one million tons. On March 31, 1955, a new Indo-German trade agreement was signed at Delhi. This agreement, unlike its predecessors, is to run for an indefinite period, and only the quotas for imports of Indian products into Germany are subject to annual revision.

Indo-German exchanges of goods have for years shown a balance in favour of the Federal Republic. The reasons for this are, in the first place, India's large requirements of capital goods, and, secondly, the fact that India, as an increasingly industrial country, utilises a large part of her raw materials herself and can no longer export them as she used to do all these years. This, however, is no deterrent to trade between the two countries, since India, as a member of sterling bloc, is under no necessity to maintain equilibrium in her balance of payments with the Federal Republic Trade exchanges are relatively more stable and smooth to the extent that no payment and transfer difficulties occur, or have to be feared. The opening of a German-Indian Chamber of Commerce in Bombay soon will further cement the economic relations between the two countries.

PROTECTION FOR PISTONS

THE GOVERNMENT of India has, on the recommendation of the Tariff Commission, granted immediate protection to the piston assembly industry in this country. The duty of 50 per cent. "ad valorem" will be in force up to the end of 1957.

Piston assembly (pistons, piston rings and gudgeon pins) is a vital component of the internal combustion engine, and, as such, it is an important ancillary industry to the manufacture of automobiles. The total demand for pistons, exclusive of the requirements of the Defence Services, may be put at about 600,000 per year, for piston rings at 4,800,000 and gudgeon pins at 600,000. The annual capacity of India Pistons Ltd., Madras, the only unit which manufactures component parts of piston assembly on a commercial scale, is 3.60 lakh pistons, 18 lakh piston rings and 4.80 lakh gudgeon pins. The capacity of Goetze (India) Ltd., which is expected to start production early in 1956, is estimated at 15 lakh piston rings in the first year and 30 lakhs in the second year.

One obstacle against which this new Indian industry has to fight just like all other indian industries is the deep-rooted prejudice against indigenous products. Preference for imported products to which consumers have been accustomed for years is natural, but, when indigenous products manufactured in technical collaboration with well-known manufacturers in foreign countries, whose products are readily accepted in the domestic market, meet with resistance from the consumers, it is clear that the old prejudice still persists against indigenous products. This is further borne out by the fact that, in the case of piston rings, it was only after imports were restricted that India Pistons Ltd., were able to sell in large quantities. In this connection, it is interesting to note that the Tariff Commission has recommended that, so long as import control is maintained for balance of payments considerations, the Government should regulate import of trunk pistons, piston rings and gudgeon pins so as to ensure that only such quantities are allowed to be imported as are necessary to bridge the gap between the estimated domestic demand and the indigenous production. Stocks in the country, which include the stocks released by General Motors (India) Ltd., will last for some time, and the only effective assistance that can be given to the industry to enable it to secure a share of the market is by severely restricting imports.

Meanwhile, India Pistons should concentrate on still further improving the quality of its products and reducing wastages so as to be able to bring down the costs further, where possible. According to the Tariff Commission, assembles and rings are lower than the landed costs, without duty, of the corresponding imported products. It is noteworthy that, in the case of piston assemblies in which imported aluminium castings are used, the fair ex-works prices are lower than the landed cost, even though a customs duty of 31½ per cent. is levied on imports of aluminium castings. However, aluminium being a protected industry, it is desirable that the indigenous manufacture of aluminium products is encouraged. It is obviously not in the interest of the country's economy that aluminium castings should continue to be imported even if it be by another indigenous industry seeking protection, especially when the cost of imported castings constitutes as much as about 50 per cent. of the cost of finished pistons.

NON-FERROUS METALS

AS ON the last occasion, the presidential speech of Mr B. K. Nevatia at the annual general meeting of the Indian Non-ferrous Metals Manufacturers' Association this year also referred to the competition that private industry is facing from govenment-controlled ordinance factories. The industry is already having an enormous surplus capacity, and, not infrequently it has to meet the competition of ordinance factories which sell the finished products at a much lower price than the industry. In the case of ordinance factories, the idea seems to be more to dispose of than to do so at an economic price based on the actual costs of production. If only because of this, there is imperative need to evolve a farmula for fixing the fair price of products in relation to the market rate and the actual manufacturing costs.

The main handicaps to the industry arise from the limited output of the industry in this country as compared to mass production abroad, the possibility of dumping by other countries, the continued consumer preference in certain cases and, above all, the uncertain prices of metals in world markets. The need for continued tariff protection is apparent, but the Association should, on its part, increase the efforts to organise the industry with regard to quality control and standardisation of products.

The non-ferrous metal industry has been recognised as one of the basic industries of the country in the Government's Industrial Policy statement of 1948. Although considerable progress has been made during and after the second World War, the present position cannot be regarded as either satisfactory or adequate to meet the requirements of a highly industrialised nation that India wants to be. It is, therefore, of vital importance that sufficient attention is paid to its basic difficulties and necessary assistance given for full and proper development.

India is mainly dependent on imports for her requirements of non-ferrous metals, most of which, particularly copper and aluminium, have remained in short supply in the world in the post-war years. Copper prices have gone up by as much as 400 per cent. As the non-ferrous industry is comparatively new and has had no time to provide adequate reserves from profits and is suffering from under-production, the initiative and the finances for prospecting and mining non-ferrous metals has necessarily to come mainly from the Government. In several branches of the industry there is considerable over-capacity, and production is as low as 20 to 30 per cent. of the capacity. For example, in the brass and copper sheets rolling section, the average production during the last five years has only been about 15,000 tons against an installed capacity of 45,000 tons. The Non-ferrous Metal Panel had estimated in 1946 the total demand for brass and copper sheets at 40,000 tons, but the demand has actually shrunk to 15,000 tons, probably because of the shift in demand to aluminium and stainless steel sheets for domestic utensils and the increasing use of ceramic and plastic wares.

Although the non-ferrous industry is of recent origin, it is estimated that the capital invested is about

Rs. 20 crores, and labour employed 25,000 persons. A beginning was made for the production of aluminium even before the second World War, but progress has been rather slow. Production of lead and antimony has also been started since the war, but in their case too, development has been slow. Whereas there is an ambitious target for aluminium in the Second Five-Year Plan, there are no worthwhile plans for expansion of production in copper to meet even the existing requirements of the country. Copper is one of the most important and essential metals, mainly used in electrical and chemical industries. In view of the prevailing high price of copper, India should do her utmost to prospect and explore her copper resources in Rajasthan, South India and Bihar. Production of copper will not only be economical and profitable, but will also save a large amount of foreign exchange. Taking our present minimum requirements at 20,000 tons per annum, India must be spending at least about Rs. 10 crores on her copper imports every year.

U.S. AID COTTON PLAN ABANDONED?

IT IS now fairly certain that the Government of India will jettison the U.S. aid cotton scheme. First mooted as far back as in December 1954 and, therefore, dubbed as a Christmas Gift to cotton traders in India, this dollar cotton business has been hanging fire for nearly a year now. It was towards the end of September this year that the Government, after hibernating for over nine months, came out with an announcement 'finalising' the details of the scheme and nominating about 17 agents with a view to entering into an agreement with them for the import of American aid cotton. Even after this so-called finalisation, nothing tangible came out, and it was freely talked about in market circles that the undue delay in the implementation of the scheme was occasioned because the authorities were insisting on a deposit of Rs. 1 lakh as a pre-condition for import of the aid cotton.

Although the total quantity involved (of this dollar aid cotton) is only 84,000 bales, importers in general were not well disposed to go in for this cotton, as they could obtain from elsewhere comparable styles of cotton at relatively cheaper prices. In order to overcome this, the Government came out with the offer of an export subsidy, but even this apparently failed to produce results. It was in these circumstances that the Cotton Advisory Board concluded, at its last meeting, that no useful purpose would be served in pursuing the scheme any further. The Government is, therefore, left with no other alternative but to write 'finis' to an episode which had not even been started—in other words, a still-born issue. Although no official indication has yet been given, cotton circles are convinced that the curtain has finally been rung down on the dollar-aid cotton episode.

THE PLACE OF THE PRIVATE SECTOR

MR. E. D. SHEPPARD'S solid optimism in the ability of the private sector to meet successfully the challenge posed before it by the Second Five-Year Plan needs to be shared with a deeper faith than is in evidence at present. Current criticism and adverse attitude on the place of the private sector in our economy is, no doubt, a product of imperfect understanding of the role which it is actually playing. In the ideological conflict and confusion over the manner in which the economic advancement of the country is to be achieved, a grossly eroneous emphasis is being placed on the drawbacks in the system of free enterprise. It is needless to argue that no system can be proof against human frailty. Mr Sheppard, however, has pointed out that the real issue is not whether there should be exclusive private enterprise or exclusive State enterprise to operate the economy, for the principal of mixed economy is already an accepted fact. The real issue, however, is what position should be asigned to the private sector in the mixed economy. Advocates of greater State control overlook the fact that overcentralisation of economic planning and larger extension of the area of the public sector cannot fail to destroy initiative and individuality which are absolutely essential for building up a Prosperity State. The reversal in the attitude of the British Labour Party on the question of nationalization and further extension of State ownership should serve as an opportune lesson for this country. The system of free enterprise which has been tried in this country over all these years, and certainly not been found wanting, can be scrapped only at great risk to the future of our economy.

"I.I.S.C.O'S" RECORD STEEL OUTPUT

THE MOST remarkable feature of the working results of the Indian Iron and Steel Company Limited, for the year ended March 31, 1955, is the record production of finished steel. While the output of steel ingots aggregated 528,118 tons, total production of saleable steel was 461,013 tons. This encouraging result is due, in no small measure, to the significant improvement in efficiency and effort on the part of the labour force, to which Mr. Leslie Martin, the Chairman, made a special reference at the Company's annual meeting. The improvement in efficiency also rendered possible the full utilisation of large accumulations of pig iron and steel scrap. For the next year, however, it will be too much to expect a recurrence of the same set of favourable conditions which brought about the splendid results in the year under review.

It is a matter of regret that, even though the working results have shown a large increase in revenue and consequent profit, the management, in deference to the Government's directives, has had to abandon the idea of either raising the basic rate of dividend or paying a special cash bonus in order to allow the share-holders some participation in the increased prosperity of the Company. Accordingly, the dividend for the year remains at 10 per cent per annum, free of tax. The only consolation is that the reserves of the Company have been benefited by more than Rs. 2 crores and, to this extent, the financing of the expansion scheme will be facilitated.

FERTILISERS BOOST FOOD OUTPUT

THE VERY considerable rise (56 per cent) in agricultural production in the U.K. since 1938 has been, in great measure, due to the increased use of fertilisers. Abundant availability of synthetic fertilisers will materially assist in increasing home food production. Their wide use on grassland, which has long been practised in Europe, and strongly advocated in the U.K. by the Ministry of Agriculture, should add substantially to U.K. meat supplies. According to the Ministry's estimates, some 450,000 tons of nitrogen (derived from approximately 500,000 tons of ammonia) could profitably be applied annually for this purpose.

In the light of these facts, the proposal for the construction of two new fertiliser plants by Shell Chemical Co. and Fisons in the Thames Estuary will be viewed with added interest. Estimated to cost £6½ million, the first plant will convert refinery gases into ammonia and nitric acid. The second plant, costing £4½ million, will use 60,000 tons of ammonia from the first for the production of ammonia-based fertilisers. The balance of the ammonia output will be used by Shell for the manufacture of ammonium nitrate/limestone fertilisers.

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COMPANY AFFAIRS

TATA CHEMICALS, LTD.

Commenting on the results of working of Tata Chemicals Ltd. (Vide page 766 of "The Eastern Economist", dated November 11, 1955) we had made a reference to the Rs. 224 lakhs programme of expansion of the Company over the next five years. In the course of his speech at the annual general meeting of the Company held on November 26, Mr. J. R. D. Tata, the Chairman, disclosed: "The financing of the estimated expenditure of about Rs. 225 lakhs during the next four or five years will be done partly from depreciation allocations. This will still leave over Rs. 100 lakhs for which provision must be made. Accordingly a review of the financial situation is being undertaken. It is clear that after the completion of the expansion scheme, the gross block of the Company will be wholly out of proportion to the present share capital. In the circumstances, there will be a strong case for an increase in the capital of the Company. I need not assure you that, when placing before the shareholders, in due course, any proposal for a fresh issue of capital, the Directors will keep very much in mind the legitimate claims of the shareholders for the maintenance of a fair return on both the existing and new capital".

A reference was also made by Mr. Tata to the significant developments that have taken place in the alkali industry recently. Said Mr. Tata: "The Development Wing of the Ministry of Commerce and Industry conducted a survey of the possibilities of the soda ash industry two years ago and came to the conclusion that there was considerable scope for development. Three licences for new factories have since been granted. One factory of a daily capacity of 200 tons is to be set up at Porbandar, another of similar capacity at Tuticorin and the third of 100 tons per day capacity at Dalmianagar. Since the existing capacity of the industry is only about 260 tons per day, the three new factories will increase it three-fold."

Will this expansion make the country self-sufficient in Soda Ash? Answering this question, the Tata Chemicals Chairman said: "When all the factories reach their rated capacities, about 1,90,000 tons of soda ash will be available annually for sale. As the current annual demand for soda ash is about 1,20,000 tons and the rate of increase in the annual consumption will not be more than 10,000 tons, a consumption of 1,90,000 tons is unlikely to develop before 1960."

Referring to caustic soda, another basic alkali for producing which also several licences have been granted, Mr. Tata informed: "The rated capacity of all the new licences, when implemented, will increase the annual production capacity of electrolytic caustic soda from 35,000 tons to 50,000 tons and of lime-soda plants from 6,600 tons to 50,000 tons. By the end of the second Five-Year Plan, therefore, the installed capacity is likely to be 1,08,000 tons per annum, while the demand is expected to increase to 1,20,000 tons". However, Mr. Tata seemed doubtful whether actual production would reach the installed capacity in view of the difficulty of finding satisfactory outlets for the chlorine released by the electrolytic plants when producing caustic soda. As far as Tata Chemicals are concerned, it may be added, this chlorine problem has been largely solved with the establishment of the benzene hexachloride plant at Mithapur.

Continuing, Mr. Tata posed the question: "What would be the effect of developing the production of these basic chemicals to meet the entire needs of the country?" To quote his own words, "this will have a salutary impact on the industry". For, when indigenous production lags far behind the demand, market prices are governed by those of imports, and the result is unstable and fluctuating prices as has been experienced during the last five or six years. "A stable market price is a "sine-qua-non" for the healthy development of the producing as well as the consuming industries".

Finally, Mr. Tata welcomed the appointment of the Heavy Chemicals (Alkalies) Development Council with Mr. C. R. Rao, General Manager of Tata Chemicals, as Chairman. "The functions of the Council", he added, "embrace all aspects of the industry such as production, efficiency, marketing, quality and productivity of labour".

THE PENCH VALLEY COAL, CO., LTD.

The Directors' Report and Accounts of the Company for the half-year ended March 31, 1955, show that the Company's profit for the half-year, after the inclusion of Rs. 20,192 brought forward and Rs. 22,180, Provision for Liability written back, is Rs. 4,08,731
And after making provision for Taxation „ 1,52,403

	Rs.	2,56,328
Out of which the Directors have placed to:		
Development Reserves	Rs.	75,000
General Reserve	„	25,000
And recommend the payment of a Dividend at the rate of 15 per cent per annum, without any deduction for income-tax paid by the Company, absorbing	„	1,18,125
Leaving to be carried forward	„	38,203
TOTAL	Rs.	2,56,328

Output and despatches of steam and other grades of coal for the last three periods show steady increase though influenced by the supply of wagons. Development work, to maintain future production, is proceeding according to the plan and to finance this a further Rs. 1,00,000 has been placed to Reserve.

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Company Meeting

KILLICK INDUSTRIES LIMITED

Addressing the Eighth Ordinary General Meeting of Killick Industries Ltd. held in Bombay on 25th November Mr. E. D. Sheppard, the Chairman, said:-

Gentlemen,

It gives me great pleasure to welcome you to this Eighth Annual General Meeting of Killick Industries Ltd. Since we last met together, much has happened and even more is contemplated which will influence the industrial and economic life of the country. Functioning as our Company does as a part of India's industrial life its future will doubtless be affected by these events and by the thinking which authors them. I propose, therefore, in the course of my speech this afternoon, to deal briefly with those issues which will influence the progress and development of the Company.

THE SECOND FIVE-YEAR PLAN

It is gratifying to know that the Private Sector of the mixed economy has successfully played its part during the course of the First Plan by fulfilling its allotted tasks. The Plan-Frame for the development of India during the next five years has now been issued and is the subject of debate and discussion which will lead to detailed definition embracing the targets which are to be achieved and the means of achieving them.

The Private Sector's function during the Second Plan, involving as it does an investment of Rs. 2,200 crores, is stimulating in its greatness. It will have to exert to the utmost every attribute it possesses in the way of managerial experience, technical skill and financial acumen to be victorious. I have no doubt that Free Enterprise has the inherent ability to succeed, and being as I am, an unrepentant believer in the efficiency of this system, I might be forgiven for looking forward to the next five years as a period of challenge when it will be possible for the Private Sector to prove in friendly and competitive rivalry with the Public Sector that it is fully well equipped to assist the country to attain its ultimate goal of a Prosperity State—a phrase I prefer to that of Welfare State—through the production of constantly increasing wealth and by its fair and equitable distribution.

FREE ENTERPRISE

But for a variety of reasons, mainly springing from prejudice and the lack of real knowledge, Free Enterprise is today passing through the severest test that it has yet encountered. It operates in an atmosphere of suspicion and mistrust, and is the constant target of many who see nothing but evil in it. As it is of the utmost importance not only for the future of joint stock companies, but also for that of the nation that this question be viewed in a proper perspective, I intend with your permission to take a few minutes of your time in attempting an analysis of it.

The demand for a radical reform of the capitalist system of economics has arisen in India among certain sections of society not only from doubts as to its efficiency but also from deeply held views as to its immorality. Criticism of the system is chiefly based on the charges that it depends essentially on the pursuits of private gain, that it puts individual interests before the common good, and that it leads to great inequality of income. To remedy this state of affairs these people advocate the establishment of governmental control over every aspect and feature of the country's economic system. Only thus, they argue, will it be possible to establish public interest in the place of private gain, and ensure that the means of production are owned and used by society as a whole. The logical outcome of these theories is to press for their translation into practice by the nationalization of industry, and by a progressively increasing incidence of taxation, which it is claimed will lead to the utopia of an economic democracy and the transfer of industrial power from private to public hands.

On the other hand there are others who are equally convinced that over-centralized economic planning, nationalization, and high taxation will lead to precisely the opposite results to those for which their advocates hope. These people also claim, and not without reason, that interference on this scale could have unfortunate repercussions leading to a restriction of political freedom and liberty. In support of this theory they are able to quote Mahatma Gandhi who said: "I look upon an increase in the power of the State with the greatest fear, because although apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress."

From the economic angle it is legitimate to consider the experiment which was tried out in the United Kingdom during the first five years after the war, when the precise theories now advocated in India by the exponents of State control of industry were introduced and tried out. It was soon realized that the operation of such a system based on a central authority staffed by civil servants unversed as they were bound to be in all the complexities of industrial management and company promotion, simply did not work. It led to irrationality, muddle, waste and in general to the very negation of those attributes, which the exponents of the plan had claimed for it. This old fashioned economic theory was finally discredited by its own fervent supporters at the recent Labour Party Conference in England, when by an overwhelming majority the Socialists of England set their face against nationalisation and the further extension of State ownership as a means of securing its social and economic ends.

In India however there is an immense amount to be done which can and should be dealt with by Government, and which even the most ardent exponent of free enterprise would not suggest that free enterprise should undertake. For example by the construction of multi-purpose river-valley projects our Government

has struck a blow for future prosperity and well-being of which it alone was capable. I wonder however whether Government will be able to improve in any way on the Private Sector's knowledge and ability in the Coal Industry, whose future it has been considering in terms of nationalisation.

To my mind the true position is clear and simple, and it is that there is almost certainly no alternative to the co-ordinated efforts of both the State and Free Enterprise and this is exactly what Government has proposed in its plan for a "Mixed Economy" which will best forward the economic and social welfare of the country while largely reconciling ideological differences. What is important—and vitally so—is that within this concept good faith should be kept with the Private Sector. It has a unique part to play and it is entitled to support and encouragement in the pursuit of its ends. There have been malpractices, and there are evil-doers within its orbit. This is true of every walk of human life in Governments and in personal affairs alike. One fervently hopes that the advance of social thinking will lessen the evil, but its existence, based as it is on human frailty, should never be used as a reason to banish a system which has been tried, and not found wanting, in the evolution of industrial development.

Through the vigerous and fairly directed application of the "Mixed Economy" it will one day be possible for the country to achieve and maintain a standard of national well-being through full and gainful employment. Should this happy state of affairs be permitted to come to pass, I venture to predict that the existing ideological conflicts in regard to the manner and method of economic development will die out, never to be revived.

TAXATION

The Report of the Taxation Enquiry Commission was published during the course of the year and many of its recommendations have already been translated into legislative effect. It is expected that recognition will be given to some of the remaining recommendations of the Commission in succeeding budgets. So far as industry is concerned, the major effect of the Commission's recommendations is to assist corporations and industrial projects to develop, while at the same time ensuring that the individuals concerned with, and responsible for these developments, are not permitted to gain from the work which they do.

This result flows logically from the terms laid down for the Commission, namely to reduce inequalities of wealth and income and yet to promote capital formation for productive enterprise. In point of fact these two conditions are contradictory and irreconcilable. In the result the Commission has first set out to gain that hoary and outmoded socialistic objective of "Soaking the Rich." Then realizing that this "Soaking," which in fact means the elimination of savings, must inevitably result in the drying up of capital formation, it seeks to find a precarious balance for its task, by the granting of a substantial rebate to selected established industries, and giving a "Tax Holiday" to new ones. One may be pardoned if one finds it difficult to agree with this reasoning, and is left to wonder whether the Commission like the popular song of some years ago, has also failed to solve the riddle as to "which came first the chicken or the egg?"

The distinction drawn between individuals in industry on the one hand, and the corporations which they serve on the other may be "good politics" in the sense that it seeks to foster the political aspirations of a socialist dogma, but it is certainly not sound economics. It can only result in the production of people stamped in the mould of drab equality and devoid of incentive to do anything that is new or clever. It is indeed a curious development that the Taxation Enquiry Commission has sought to label dreary changelessness as venturesome and radical, and to condemn initiative and progress as being reactionary and conservative.

However convenient it might be from the angle of furthering the cause of socialistic thinking, it is unfortunately not possible to separate institutions from the individuals who operate them. The disincentive effect which the recommendations of the Commission would produce on the latter cannot but be reflected in the former. A curtailment of consumption, the elimination of savings, and the equalization of incomes even further than has already been achieved must adversely affect the development of industry however strong the efforts to substain it by tax concessions. Industry to thrive and prosper must cater to the needs of expanding markets, and to have these, it is necessary to provide an atmosphere in which there is freedom and enterprise, and the personal ambition to reap the just rewards of initiative and endeavour.

Chairmen of companies, Senior Directors, and highly placed Industrial Executives, are the particular targets of the emotional venom which is generated among politicians and in Parliament in the matter of high incomes within industry. The popular theme is that these people lead a life of ease and idleness, enjoying luxury and opulence, while in some mysterious and quite inexplicable manner the industries for which they are responsible prosper and thrive and make money for them. What a distorted and fantastic picture this is! If such a state of affairs ever prevailed in the dim and distant past, it certainly has not done so for many a long year. The average high-level Industrial Executives work very hard indeed and certainly many hours longer than do those who are protected by legislation in regard to the number of hours which constitute a working week. Further, whether within the office or outside it they are never free from anxiety and the responsibility of their charge. With taxation and the cost of living at their existing levels, the salaries which they are paid eventually result in a net accrual to their bank balances each month of amounts which permit of little if any saving and leave no margin for unforseen eventualities. It will achieve no good and result in considerable harm to the promotion and management of industry if further difficulties are heaped on these people. I quote here from the Bible:

> "Let the elders that rule well
> be counted worthy of double honour,
> .....
> "For the scripture saith,
> Thou shalt not muzzle the ox
> that treadeth out the corn.
> And, the labourer is worthy of his reward."

THE COMPANIES ACT

The form of the new Companies Act which became law earlier this week is now well-known, and we are studying the effect it will have on our Company.

More unfortunate than the substance of the changes which are sought to be made in the Companies Bill is the manner in which the profession of industry and business has been debased in the debate which preceded it. During its course Managing Agents were labelled as "Sharks," "Jackals" and "Blood Suckers," and a calculated endeavour was made to depict them as social parasites who, caring nought for the good of the country or of its people, were concerned only with lining their pockets through deceit and double dealing. The massive achievements of many Managing Agency Houses during the past many years are well known to you, and you know too that such Houses have always been subjected to the stern control of the shareholders and workers of all the concerns they have promoted and managed as well as of the consumers of the various products of their enterprise. It is indeed surprising, therefore, and most discouraging to find that, work which one felt might legitimately merit national satisfaction and even a little praise, is in fact dubbed with no evident acknowledgement of exception as being selfish, anti-national and devoid of grace.

It is, I feel, of the first importance that a more constructive and realistic approach towards the apparatus for the promotion of industry in our country should be taken by those who now criticize.

We are also considering the effect which the proposed amendments to the Electricity (Supply) Act will have on the three Electricity Companies.

It is unfortunate that I have had to deplore the attitudes which are today taken towards the Private Sector and Free Enterprise. I have done so because of the strong conviction that it is the inescapable duty of companies like ours, at the present time, to define their views on these important issues unequivocally and in a straightforward manner. Honest and constructive opinion can only do good and should never be resented.

At the same time I would assure you without any reservation, that it will be the endeavour of Killick Industries to co-operate to the fullest extent with Government and the rest of industry to make a real success of the Second Five Year Plan. Through its achievement the country will be placed squarely on the road to greatness, and a better life for all.

OUR OWN AFFAIRS

Turning to the Directors' Report and Accounts I would like to draw your attention to the changed layout this year which I think you will find more convenient and which has been necessitated by further diversification of the Company's interests. You will see that the Balance Sheet has been compressed into one double page at pages 6-7 and that the details of the Reserves and of the various ventures which have been started and maintained by Killick Industries Ltd., such as the Kachidana mining venture and the Steel Files project of John Baker & Sons, have been placed in two separate Schedules at pages 10 and 11. I think that this altered layout of our Balance Sheet and Accounts is indicative of the new direction in which our Company is beginning to develop.

The new Light Industrial Colony which we are building at Chandivli just outside the Santa Cruz airport will, I hope, be a model of its kind. The first project, namely the Factory to manufacture Engineers' Steel Files was put up in what must be almost record time and is now producing even better Files than are made in Sheffield itself. We have other plans for similar and allied undertakings. We are also in the advanced stages of planning a much larger project further afield. When this project comes to fruition I imagine it will be of such a size that it will be necessary to float a separate managed Company.

The profits for the year under review are considerably lower than the record profits for the year ended 30th June, 1954 for reasons which I will explain at question time.

As regards the future however there are grounds for sober optimism. The existing managed companies continue to develop and expand and while immediate returns cannot be expected from the new ventures I look forward to the day when you will have good reason to be satisfied with the contributions they will then be making to your Company's prosperity.

Company Meeting

Speech by
MR. T. LESLIE MARTIN
Chairman of
THE INDIAN IRON & STEEL COMPANY LIMITED
Dealing with the Year Ended 31st March, 1955.

DELIVERED AT THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD ON NOV. 28, 1955.

Gentlemen,

The outstanding feature of the working results of your Company for the year under review was the phenomenal production of finished steel which constitutes a record for the Company.

Given plant facilities and availability of raw materials, production is, of course, governed primarily by the will to work on the part of labour and I am pleased to report that since the unfortunate events of 1953 there has been a vast improvement in efficiency and effort on the part of the workers. Apart from the fact that without co-operative effort no industry can progress, this effort under a modern wage structure such as that adopted by your Company, brings its own material reward as the particulars of our payments to employees will demonstrate and it is more than unfortunate that the present incidence of taxation levied by Government denies any commensurate monetary reward to the executive and managerial staff on whose efforts, equally with those of labour, progress must depend.

The improvement in efficiency was very marked in the Melting Shop where a large reduction was effected in the time taken for the repair of the Open Hearth Furnaces and with the added availability of the Furnaces it was, thus, possible to fully utilise the large

stocks of pig-iron and steel scrap that had accumulated as a result of the 1953 labour troubles in supplementation of the 521,838 tons of hot metal produced for steel-making purposes available from the two Blast Furnaces at Burnpur.

The output of steel ingots at 528,118 tons was, accordingly, a record for the Company and this, again, was increased by the large accumulated stock of ingots carried over from the preceding year. The Rolling Mills responded admirably to the challenge of the available tonnage of ingots with the result that a record production of 461,013 tons of saleable steel was finally achieved.

In view of the fact that the accumulated stocks of pig-iron, steel scrap and rollable steel ingots have so greatly augmented the total production of finished steel during the year under review, it must be borne in mind that it is extremely unlikely that output results for the year 1954-55 will be repeated. There are also certain others factors which may, and in all probability will, affect this. The two Blast Furnaces at Burnpur are due for relining; one during this year and the other in 1956-57. With the large expansion programme under way, there must, inevitably, be a severe and increasing disruption of operations, having regard to the fact that much of the new plant will be sited alongside existing installations. Further, one of the major works under the expansion programme is the extensive development and mechanisation of the Ore Mines at Gua and this, again, must affect the availability of our supplies of iron ore from the Mines for the Blast Furnaces, any shortage in which may not be capable of being fully met from outside sources due to the anticipated shortage in transport from the railways on which we must depend.

As has been mentioned in your Directors' Report, all previous indications were that No. 2 Blast Furnace at your Burnpur Works would have to be relined in 1954-55. It, however, proved possible with careful handling to retain this Furnace in full operation throughout the year and with the additional hot metal thus made available and the other factors to which I have referred, the actual production of saleable steel greatly exceeded the estimated output of 290,000 tons that had been adopted by Government for the purpose of the fixation of a sales retention price to the Company. The result was a large increase in revenue and consequent profit which must be regarded as a windfall and, as I have said, is unlikely to be repeated. I have already explained that the large increase in tonnage is due to a marked improvement in efficiency of operation and to the carry-over of raw materials from the previous year. A further factor, I would mention, is the excellent results from your Foundries at Kulti. For some years past these Foundries have been operating under heavy competition and it was only by the installation of a Spun Pipe Plant and the entire remodelling of the Works that Kulti came into its own and was ale to prove what a large foundry was able to achieve. The installation of the new plant at Kulti and the expenditure incurred in the work of reorganisation was met entirely from your Company's resources and not from Government financial assistance. Under all the circumstances I have explained, your Directors, not unnaturally, desired to mark the greatly improved working results by the distribution of an increased dividend or an ad hoc payment to shareholders for the year.

DIVIDENDS

In the course of the early negotiations in 1952 in connection with the financial arrangements to be made to provide for the extensions now in progress, Government stated that in view of the large amount of finance that had to be provided by the Company from its own resources and the heavy indebtedness on loan account that would be incurred, they must be consulted in the matter of the distribution of profits earned, and at the appropriate time, commencing in June last, detailed and prolonged representations were accordingly made to Government to permit, under the exceptional circumstances, not necessarily a raising of the basic rate of dividend, but at least a payment of a special cash bonus for the year in order to allow to the shareholders some participation in the increased prosperity of the Company. It is a matter of a great regret to your Directors that Government could not see their way to concede this or to take a wider view in the matter under the exceptional circumstances which were fully explained to them. Your Board, however, consider themselves bound by the orders of the Government on whose goodwill we must depend for discharging those onerous obligations which we have undertaken in connection with the expansion of the Company. These orders, they feel, cannot be ignored or their legality challenged without serious detriment to the interest of the Company. I urge upon you, therefore, the desirability, inspite of the disappointment that we all feel, of accepting with good grace the Government's final decision in the matter. The recommendation of your Directors is, therefore, limited to the payment of a dividend on the ordinary share capital at the previous rate of 10 per cent per annum, free of Indian Income Tax, the balance of the profits earned being carried to reserves. While I need not assure you that the attitude adopted by Government is as disappointing to us as it is to the shareholders as a whole we must derive what little consolation we can from the fact that the Company's reserves have benefitted by more than Rs. 2 crores from the operations of the year and that to this extent the finance of the expansion programme and the ultimate repayment of the loans has been facilitated.

In my speech to you last year I detailed the financial arrangements that had been made in connection with the current expansion programme. Full particulars of the relative loans, both secured and unsecured, and of the Bank Overdraft facilities will now be found incorporated in the Balance Sheet and the Schedules thereto, that are before you. As regards the Accounts themselves, these are as usual fully detailed, and beyond drawing your attention to the adjustment of Rs. 8,80,000 made on General Reserve in respect of the dividend for the year ended 31st March, 1953, on the shares held on Investment Realisation Account and the credit for a similar amount afforded in the Profit and Loss Account in respect of the dividend on these shares for the subsequent year, there is not anything, I think, I can usefully say.

INCREASE OF CAPITAL

There have been many rumours of late concerning the question of the Company raising further capital and I would take the opportunity of warning you that expectations entertained to the effect that rights or other share capital will be raised by the Company are premature and may prove to be without foundation. In order to explain the position I would remind you that there are two schemes of extensions which, though from a technical point of view may be regarded as one, are, on financial grounds, to be treated as entirely separate and independent of each other. The first one is described as the 1953 extensions in respect of which, as you know, we have incurred heavy liabilities to the World Bank and the Government of India. This scheme is in progress and is expected to be completed, all going well, in 1958. The second scheme described as the 1955 extensions, visualizes the increase over the 1953

project, of the production of saleable steel by 100,000 tons, the enlargement of the finishing capacity of the existing rolling mills and the addition of some new finishing capacity, in order to make the production more flexible to meet the varying conditions of the market. This scheme is still under consideration and negotiation with Government and no definite plans can be formulated until we know what the future retention prices, which are now under investigation by the Tariff Commission, are likely to be. It is for the implementation of this second scheme that the raising of further capital would be required, supplemented by means of such special element consisting of an increase in the new retention prices, as the Tariff Commission may recommend and the Government may allow, in order to fully cover the position. It will be clear to you, therefore, that no decision as to the necessity or otherwise of raising further capital can be made until the Tariff Commission's Report and the Government's Resolution thereon have been received by us.

Our primary duty is that we should not undertake any further liability which would in the slightest degree endanger the full and punctual discharge of all our heavy obligations in respect of the 1953 extensions out of the normal earnings of our existing equipment and of the new plant, after it has been completed and has been brought into operation. This is not to say that given reasonable conditions we would not be prepared to do our best to further the interests of the country to the utmost of our power. What I wish to emphasize now is that until we know the recommendations of the Tariff Commission and the Government's Resolution, and have had full opportunity to assess the position, we shall not be able to come to any decision as to the proposed 1955 extensions.

In concluding, I would take the opportunity to express on your behalf and on behalf of your Directors our appreciation of the services rendered by your General Manager, Mr. J. McCracken, and his staff throughout the year and our thanks to all the workers whose efforts have made possible the results that have been achieved. Given a continuation of the spirit of co-operation that now exists we can look forward with confidence to fulfilling our part in the contribution that is required from the private sector towards the attainment of the country's output of steel under the second Five-Year Plan.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
February 1955 ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ,, c ..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October ,, c ..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
Week Ending										
8-10-1955 ..	306.4	397.8	329.4	373.6*	559.9	353.5*	91.0	100.7	87.5	123.5
15-10-1955 ..	319.4	408.2	330.0	370.2	559.0	358.8	91.0	100.7	87.2	124.1
22-10-1955 ..	320.1*	409.2*	332.2	370.9	559 4	360.3	91.0	100.8	87.0	125.4
29-10-1955 ..	322.8	409.7*	332.2	371.1	557.8	360.9*	91.0	100.7	87.2	127.0
5-11-1955 ..	330.6	417.9	335.2	372.7	546.8	365.9	91.0	100.8	87.5	128.0
12-11-1955 ..	327.6	414.4	337.4	372.9	541.3	364.2	91.0	101.0	87.5	129.0

†Economic Adviser's Series. c Average of weeks. ††Reserve Bank Series. *Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939=100)

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927 = 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	133
August	325	341	229	134	329	375	—	137	318	136	138	—
September	317	333	224	133	327	373	—	—	322	—	—	—
October	315	331	225	134	—	—	—	—	323	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	26-11-1955			19-11-1955			12-11-1955			5-11-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	98- 9	97- 2	97-13	97- 0	95-11	96- 6	96- 2	95- 2	95- 8	96- 4	94-15	95- 7
Silver (per 100 fine tolas)	175-14	172- 5	174-14	171-12	171- 5	170- 4	171- 7	168-11	170- 3	168-14	167- 5	168- 0

SURVEY OF INDIA'S FOREIGN LIABILITIES AND ASSETS AS ON 31ST DECEMBER, 1953.

STATEMENT NO. 1.

FOREIGN LIABILITIES OF THE VARIOUS MINISTRIES AND ATTACHED OFFICES OF THE CENTRAL GOVERNMENT

(In thousands of rupees)

Country	Capitalised Pension Liability	Loans	Securities	Others	Total
Australia	..	..	10,44	..	10,44
Burma	..	..	1,00,44	..	1,00,44
Canada	..	..	18,95	..	18,95
Ceylon	..	..	2,37,64	..	2,37,64
Germany	..	..	..	2,97,01	2,97,01
Japan	..	..	80	1,93,34	1,94,14
Malaya	..	..	20,15	..	20,15
New Zealand	..	..	12,77	..	12,77
Pakistan	..	..	29,02,47	..	29,02,47
Switzerland	..	..	11,49	..	11,49
United Kingdom	180,95,97	26,32,63	3,70,80	2,89,98	213,89,38
United States	..	90,32,29	78,10	..	91,10,39
I.M.F. and I.B.R.D.	..	21,59,68	212,60,20	..	234,19,88
Other Countries	..	..	3,13,06	64,43	3,77,49
TOTAL	180,95,75	138,24,60	253,37,31	8,44,76	581,02,64

STATEMENT NO. 2.

FOREIGN LIABILITIES OF THE STATE GOVERNMENTS

(In thousands of rupees)

Country	Securities	Goods	Provident Fund	Others	Total
Burma	40	..	..	..	40
Ceylon	33	..	..	..	33
Germany	..	9,64	..	..	9,64
Pakistan	11,37	..	..	..	11,37
Switzerland	..	1,81	..	..	1,81
United Kingdom	2,47	13,48	3,68	25,64	45,27
United States	5	32	..	..	37
Other Countries	5,00	..	..	62	5,62
TOTAL	19,62	25,25	3,68	26,26	74,81

STATEMENT NO. 3.

FOREIGN LIABILITIES OF MUNICIPALITIES, PORT TRUSTS, IMPROVEMENT TRUSTS, OFFICIAL TRUSTS AND STATUTORY CORPORATIONS

(In thousands of rupees)

Country	Securities	Goods	Provident Fund	Total
Australia ..	2	..	..	2
Burma ..	49	..	..	49
Canada ..	50	..	..	50
Pakistan ..	2,36	..	..	2,36
Switzerland ..	3,19	1,92	..	5,11
United Kingdom	23,54	5,33	9,06	37,93
United States ..	..	20	..	20
Other Countries ..	20,51	9	..	20,60
TOTAL ..	50,61	7,54	9,06	67,21

STATEMENT NO. 4.

LOANS PAYABLE ABROAD BY THE VARIOUS MINISTRIES OF THE CENTRAL GOVERNMENT

(In thousands of rupees)

	Description of the Loan	Country	Amount
1.	Wheat	United States	90,32,29
2.	Agricultural Machinery Project	I.B.R.D.	(1,81,14
3.	Railway Project	I.B.R.D.	(12,97,86
4.	Bokaro-Konar Project	I.B.R.D.	(6,80,68
5.	War Loan	U.K.	(20,62,26
6.	Other Sterling Loans	U.K.	(5,70,37
	TOTAL		1,38,24,60

(To Be Continued)

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Amendments to the Constitution

WHILE the wisdom or propriety of amending our Constitution frequently continues to be discussed on one side, Amendment Bills are becoming more numerous. Besides the short amendment to Article 3 which miscarried last week in the Lok Sabha, a number of other amendments have been proposed in two other Bills introduced in the Lok Sabha. These do not involve very large questions of policy comparable to the drastic changes made recently in the clauses relating to compensation for acquisition of property. But, barring the routine amendments which have been necessitated by administrative difficulties experienced in the actual working of the Constitution, these alterations generally happen to be in the direction of abridgment of the very liberal principles on which the Constitution was founded. This trend is disquieting and often unmistakable, and this aspect deserves more thought than has been devoted to it in the

midst of the agreement shown by most sections of the country with the general objectives of Government policy on the main issues.

One such major issue of principle may be raised by the amendment which proposes to restrict the opportunities now available to civil servants to show cause against any action proposed against them. Article 311 of the Constitution prescribes, for purposes of inquiries against civil servants, that dismissal, removal or reduction in rank should all be treated as serious enough to warrant the full procedure of inquiry. These formalities have been consistent with the procedure prescribed under the old Government of India Act of 1935. The effect of judicial interpretation of these provisions during the last two decades has been to lay down that after an inquiry is held on charges framed against a civil servant, the findings thereon should be communicated to the charged person and that he should have an opportunity to show cause against the specific action proposed to be taken against him. The criticism of this procedure, according to the Statement of Objects and Reasons in the Bill, is that it becomes a "long-drawn affair", though it is arguable that it had value as a check to hasty action as much as to provide full opportunity for defence.

This Article has been proposed to be amended and simplified in three ways. Reduction in rank is sought to be completely excluded from the scope of the Article on the plea that there is not "sufficient justification for placing reduction in rank on a par with the much more severe punishments of dismissal and removal from service and given a special Constitutional safeguard". This is a questionable interpretation, because to the civil servant concerned reduction can appear as serious in its consequences as removal or dismissal. Secondly, for the "reasonable opportunity of showing cause against the action proposed to be taken" now required under Article 311, it is proposed to provide only for "an inquiry in which he has been informed of the charges against him and given a reasonable opportunity of defending himself." This will make for a summary procedure even in cases of dismissal or removal without an opportunity for the charged person for putting up a defence against the nature of the punishment to be inflicted even if it is disproportionate to the proved charges.

These new provisions would not apply to the class of civil servants belonging to the old all-India services whose rights have been guaranteed under Article 314 to be the same as they were in 1947 even in disciplinary matters. But to the other ranks of the civil services, it introduces new principles which may tend to impart an element of arbitrariness in procedure. Already the civil services are not as attractive as they used to be and the effects on the morale of the civil services of the new provisions can be more serious than what the saving of time and procedure on inquiries would help to offset. At any rate, this is not indeed a step that was necessary to take at this stage. There is no real urgency and the net effect may be to create a sense of insecurity since there are as many opportunities for abuse of disciplinary authority as there are for misconduct on the part of civil servants.

The proposed amendment would also exclude from the scope of the privileges conferred by Article 311 all such employees in commercial or industrial establishments of the Union or State as may be specified by special order. It is possible that the categories of employees to be so specified will not be seriously affected because they may belong to groups entitled to wider privileges under labour laws though even labour laws have been interpreted differently where the State is concerned as employer. There is no reason, however, for not specifying it accordingly by providing that at least to those who will not be covered by labour laws, the protection of Article 311 will extend. Otherwise, the amendment will hardly provide the right climate in which the proposed Industrial Management Service can be constituted. Security is the main rival attraction that service in the public sector can offer against the private sector and even this cannot be sacrified now.

Two other Constitutional amendments of some importance now proposed relate to the rule of quorum in Parliament and State Legislatures and the maximum limit for taxes on professions and callings leviable under Article 276. The principle of the quorum raises more important issues than what the bland omission of Clause (4) of Article 100, as now proposed, would indicate. It is common knowledge that this is only an attempt to regularise a constant breach of the quorum rule in Parliament, which should be regarded seriously as an indication of indifference on the part of popular representatives instead of being condoned. The existing Constitutional provisions appear to have been deliberately contrived to ensure the presence of a minimum number of members to exercise the sovereign powers of Parliament. By acquiescing in, and regularising the breach, the decline of interest of M.P.'s will only be accelerated; in the absence of a strong and vigilant opposition in the legislature, such encouragement will further strengthen the dominance of the executive.

The enhancement of the limits of taxation of professions, trades, callings or employments beyond the present maximum of Rs. 250 per annum has been under consideration for some time. Though the Local Finance Enquiry Committee recommended a tax-limit of Rs. 1000 per person per year, the Taxation Enquiry Commission suggested a lower ceiling of Rs. 500 to prevent a severe burden being imposed by States on behalf of local bodies whom the tax was intended to benefit. There is hardly any special reason to disregard this limit prescribed by the T.E.C., especially when there is no reason to believe that the Commission was unduly sympathetic to the higher income groups. The manner of its exercise will decide whether it will constitute an added burden or not to those already subjected to income taxation but there was a case for not going too far at one step and for accepting a lower maximum.

Removing Roadblocks

THE demand for substantial overhaul of the law on regulation of motor transport has rested on the argument that the restrictive scheme of the Motor Vehicles Act, 1939, in order to safeguard the position of the railways, has now undergone radical change. In the light of this criterion, it cannot be said that the Motor Vehicles (Amendment) Bill, which has now been published for general information, will prove an effective instrument to accelerate the expansion of road transport services. In certain directions it will promote definite advance. It represents a successful attempt to provide a machinery to eliminate the obstacles to freedom of inter-state transport movement and it seeks to curb to some extent the abuse of the power to issue temporary permits to ply vehicles. These are undoubted gains. But the major grievances against the operation of the Act of 1939 have not been satisfactorily removed. They relate to the restraints on distance or duration for which various classes of permits are made available as also to the manner in which powers to issue permits are exercised. The present Bill has emerged after protracted consultations and in spite of the fact that major issues of basic policy were endorsed by the Transport Advisory Council some time ago, difficulties have persisted in securing adjustments of the views of State Governments.

Controversy has hitherto centred primarily round the terms to be attached to various classes of permits to ply vehicles in different areas or routes, the administration of regulatory powers and the constitution of the machinery of State or Regional Transport Authorities. On all these counts the Amendment Bill makes some positive advance, but it does not go far enough. On the other hand, it has chosen to remain static in important spheres, partly because some of the earlier inhibitions of road-rail co-ordination continue to influence policy. Stage carriage permits, issued in respect of public passenger vehicles, will continue to labour under the handicap of the old distance limits, even though there could have been no valid objection to granting power to the Regional Transport Authority to extend their validity to the normal limit of 150 miles even between places connected by railways. Liberalisation on this scale would have been only consistent with the policy of inducing the formation of large viable undertakings operating sizable fleets of vehicles at economical costs as a means of reducing overcrowding on important sections of the railways.

But it is in the sphere of goods traffic that a bold and forward policy, encouraging rapid expansion of motor transport, is immediately called for to augment transport capacity in the coming development plans as also to stimulate the domestic automobile manufacturing industry. An anomaly of transport licensing is that while private car owners are free from distance restrictions in the same State, private (freight) carrier permits are subjected to very severe and rigid distance limits, to which are added similar restrictions on duration. There can be no reasonable objection to a policy of full freedom from distance limits within the State to private carriers, subject to the proper use of permits for transport of specified goods. The desirability of encouraging trade and industrial concerns to maintain their own transport services cannot be disputed in a country where private carriers form a very low percentage. In the highly industrialised countries railway systems have been relieved of considerable pressure because of such private transport. The amending Bill retains the ban on the grant of private carrier permits beyond the restricted area in normal cases. On the other hand, in the case of public carrier permits the Regional Transport Authority has been empowered to extend their validity to 150 miles between places connected by railways. Though extensions of this order would still not meet demand for permits over longer routes, but it would be possible to fulfil the demand if the State Transport Authority adopts comprehensive policy of co-ordinating the services on all routes. The old definition of a compact area as covering a radius of 75 miles has not been changed. Relief has not been granted against the hardship and delay caused in respect of counter-signatures of permits for inter-regional movements but presumably much will be left to the rules to be made under the Act.

One great virtue of the Bill is to provide a positive safeguard against abuse of power to grant temporary permits which had assumed scandalous dimensions in some States. A new proviso to S.62 prohibits issue of temporary permits in respect of areas or routes for which a new application for a non-temporary permit is pending and in cases of renewal of non-temporary permits it places a ban on the grant of more than one temporary permit on the same route during the pendency of the renewal proceedings. This prohibition should suffice to safeguard applicants from constant uncertainty, created only to facilitate State Governments' likely schemes of nationalisation. Those schemes can be undertaken only under the new Chapter IV-A and although the compensation prescribed for loss of operating rights for the unexpired duration of permits is inadequate, the procedure and commitments would provide checks to hasty action. The Bill, however, has failed conspicuously on a major issue in not providing protection to the operator against discriminating treatment or abuse in the form of favouritism and distribution of patronage in the issue of permits. The safeguard of open enquiries into applications for permits, so consistently urged, has not been incorporated in the Bill.

The most commendable feature of the Bill, however, is the creation of an effective machinery for the regulation of inter-State transport. The right conferred on the Central Government to set up, on motion from the State Governments or on its own motion, Inter-State Transport Authorities for different inter-State regions, with supreme powers of direction over State Transport Authorities in respect of inter-State regional transport, will now facilitate all formalities in respect of permits, including counter-signatures, without any irritating interruptions. The Constitution of the Central Transport Authority will secure the intended object of ensuring regulation and co-ordination of the activities of Inter-State Transport Authority. It is through the establishment of these agencies and in the gradual assumption of powers of regulation by them that we should look for the much-needed correctives to existing road transport policy. It is a fortunate circumstance that the powers of legislation in this field are in the concurrent List of the Constitution. The Centre can always lay down the broad principles which should govern the development of road transport. Progress has been very slow so far and the Bill must stimulate thought on the directions in which it could be improved to fit in with the aspirations for development under the second Five-Year Plan.

In the Valley of Decision

PLANNING WITHOUT PRIORITIES

THE second Five-Year Plan seems at last to be taking shape in the Capital but the decisions now being taken have not been facilitated by the availability of new clues to the hitherto missing solutions. The old problem is still there, namely, the existence of a Plan which is far in excess of the calculable resources. A Plan of the order, in financial terms, of about Rs. 5,400 crores and above has to be beaten down to the size of Rs. 4,800 crores, though even the latter total would still leave a problem of resources. Where will the cut be applied? There is no acceptable criterion of priorities which could be readily applied without arousing hostility of the Ministries concerned and it is not surprising if the Gordian knot is sought to be cut by applying a uniform cut. It is not yet clear whether this would apply to the total size of the State Plans also which was settled some time ago, but this cannot be ruled out as an extreme necessity. The Central Ministries' schemes are feeling the first impact of this axe and some odd consequences may follow which may have to be rectified later, if at all. That is inevitable if we want to have something of everything instead of all essential things fully.

It seems fairly certain, for instance, that the Railway Plan will be reduced to about Rs. 900 crores, against an original estimate of about Rs. 1,200 crores, exclusive of what the Railways would be able to find from their own resources. This would seriously affect the schemes for new railway lines; the total mileage may have to be restricted to about a fourth of the earlier proposals for addition of about 3,000 miles. This restriction involves that the new lines will be limited to the actual needs arising out of the new projects in coal, steel and cement, thereby jeopardising the claims of the 'backward' areas, where new transport was considered necessary to sow the seeds of general economic development. The lines needed by political considerations—like those required for administrative reasons by the new States to be created on the basis of the SRC Report—will either have to suffer or the money should be found by cutting other schemes of railways, like line-works and rolling stock. If to this are added the lines which are the result of election promises—depending upon the pressure exerted by the constituencies concerned—the railway schemes may go completely awry. It must be said to the credit of the Railways that when faced with the implications of the demands arising out of the Plan-frame proposals they prepared a comprehensive plan.

But, at the same time, it must also be remembered that the Railways have simultaneously raised extravagant expectations by promises of welfare and amenities which are not now within our reach, the running of third-class air conditioned coaches being the leading example. It would be feat enough if third class carriage hold only the number which the present seating capacity would justify, in order to reduce overcrowding, but such moderate ambitions have been ruled out in making larger promises. Thus if the Railways persist in giving in advance a taste of the conditions under a "socialist pattern of society", before the resources have been created for the purpose, there may well be serious drawbacks in the more obscure but far more vital aspects of transport for the expanding economy. If Railways have at all to think in political terms at this stage of development it must be to enforce a standard of austerity, with all the political prestige and influence it can command, but such thoughts are not uppermost at the moment.

Even with all these risks in transport, the Plan may not emerge as a coherent picture of priorities within the scope of the resources. There are always wildly ambitious schemes like the public sector's proposed venture into coal production with an outlay of about Rs. 100 crores, when the private sector, by finding its own money and operating within the scheme of Government controls, is ready to deliver all the additional production needed and can well do so without any uncertainty. The synthetic oil plant again, however desirable, may well be considered to be outside the scope of priorities of the second Plan. But even worse is the large-scale speculative exploration with foreign technical assistance for natural oil, which goes far beyond the existing arrangements for drilling and the investment possible on production of oil, if found. Thus, if the public sector concentrates on the essential items like the steel plants, heavy electrical machinery (for which assistance has been secured from the A.E.I.) and such other firm projects, much-needed resources could be released for other uses. There are hardly signs of a realistic approach.

The Production Ministry is now going ahead with its plan for coal production in the public sector, after having asked the private sector to limit its ambitions to 8 million tons a year of new production under the second Five-Year Plan. An immediate objective is to secure the coal-bearing areas and considering the progress made in the experiments at Korba fields, the search for high grade coal areas may well be slow and prolonged. Some legislation is involved in getting the richer areas and this may be discussed this week with the representatives of the States, which are legally the real owners of mineral wealth under the Constitution. Even in the case of new areas not covered by private mining leases, the Centre will have to seek a lease from the State for operating a mine and though the States may have no option (because they have not the resources to invest in mines themselves), they may well lay down conditions as Madhya Pradesh has done and seek a share of the profits plus the patronage involved. But since these richer virgin areas are said to be limited, the Centre has long been seeking to displace existing lessees of unexploited areas by substituting itself in their place by enacting a law to that effect. This would, in effect, reduce State rights in minerals to a nullity, but it is doubtful whether the State Governments have any alternative but to accede to the demand.

This is only an example of the wholly distorted sense of priorities at a time when the resources problem cries out for a solution. Nothing has yet emerged on the credit side to show how the additional Rs. 500 crores (involved in increasing the Plan to Rs. 4,800 crores) would be found. If new taxation does not come within the first two years as the Finance Minister once indicated, then it will have to be levied in a severe way in the subsequent three years of the Plan to make up for the liberality of these two years. The recommendations of the Taxation Enquiry Commission will have to be exceeded and, perhaps, the latest Constitutional Amendment Bill, which now proposes to raise the limit on taxes on professions and callings from Rs. 250 to 1,000 (when the TEC recommended only Rs. 500/-), is a straw in the wind.

LEO

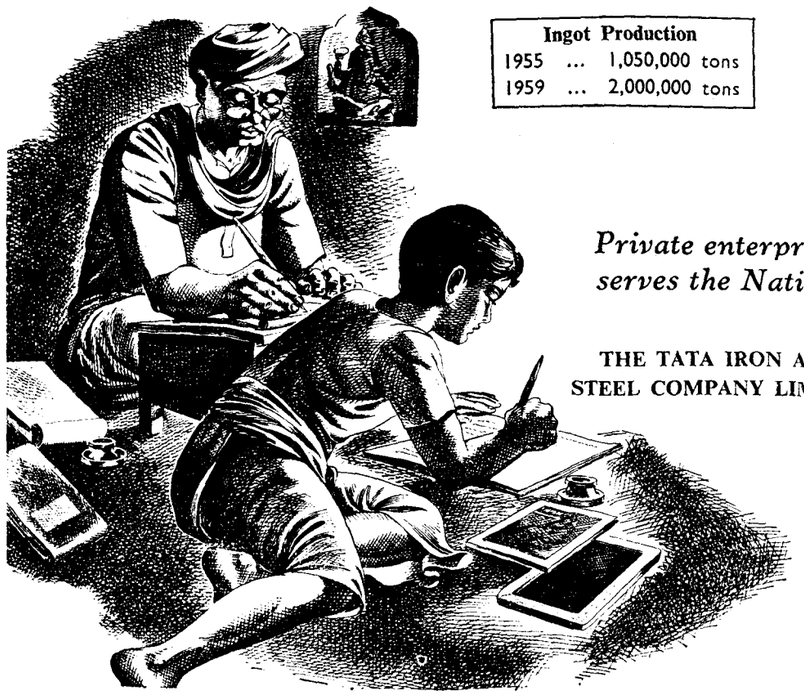


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THE WEEK'S NOTES

MISADVENTURE IN LEGISLATION

THE MISHAP that occurred to the Constitution Amendment Bill last week in the Lok Sabha cannot be regarded as a serious one since the voting (of 246 against 2) was still short of four votes to provide an absolute majority. The rules of procedure now prevent the same Bill being brought before the House at this session. The object of the amendment being to empower the President to fix time-limit for receiving the opinion of State Legislatures on the question of State boundaries, the amendment is necessary now or not at all. It seems unlikely that any State would be so obstinate as to delay a reply so long as to require statutory powers of enforcement and perhaps no great harm would result if the position is left as it is. But the situation might look highly ridiculous for a party with an overwhelming majority, and prestige probably dictates some rethinking on this question. The opinion of the Attorney-General has been sought and it is reported to run to the effect that a rule requiring an absolute majority of the House was not necessary at every stage of a Constitutional amendment but only for its final passing.

This view seems to be well-founded but the circumstances in which the rule is sought to be modified cannot fail to create the impression that the Congress party and Government are always seeking to alter their disciplinary codes according to their convenience. Since the quorum rule also seems uncomfortable, it is sought to be pushed aside. This is not a good example to set up in the early stages of our parliamentary government. If the House is to be troubled to reconsider the same measure, there must be strong reasons, preceded by due apology from those responsible for the misadventure last week. That would at least accord with the traditions of parliamentary life; otherwise, the behest of the executive would be in evidence to a greater degree than what the Government's control of a party majority would justify.

OFFICES AFTER RETIREMENT

AMONG THE minor amendments to the Constitution now proposed in two Bills introduced in the Lok Sabha are two intended to remove any possible doubts about a retired Comptroller and Auditor-General or a retired chairman and members of the Public Service Commissions being ineligible even for political office as Minister. There is perhaps no need to particularise about these two offices since it must be free to all such dignitaries to seek election to the Legislature and the other offices that are open on that basis. If Ministership is to be specifically permitted, the question arises whether the posts of President or Vice-President are to be excluded. But apart from these questions, the purpose of such prohibition seems to be to prevent these high officers from relaxing their vigilance or independence as against the Executive. This purpose may be defeated even if these officers are eligible to look to Ministership as a possible future career, since these again are within the gift of a party in power. If the alternative of shutting out all opportunities in politics is to be avoided, an interval may, perhaps, be prescribed to prevent these independent authorities from exercising their powers with an eye on a Ministership soon after retirement, after the next bye-election!

Article 224 of the Constitution provides for retired High Court Judge being asked to sit and act as Judge in order to help clearance of arrears. It is now stated this provision has been found to be inadequate and unsatisfactory (though no such fault is found with the corresponding provision for the Supreme Court). It is proposed to do away with the present system and to appoint additional judges to clear off arrears and acting judges only in vacancies. Another provision regarding High Court Judges is to modify the ban in Article 220 on retired Judges practising before any court in India. A retired Judge will be permitted to practise in the Supreme Court and in any High Court other than the one in which he was a permanent Judge. These are welcome changes.

VOX POPULI AND THE SRC

BEFORE PARLIAMENT starts debating the SRC Report next week, many State Legislatures would have expressed their views. The major question regarding the future of Bombay State still remains undecided but it has been clear for some time that no superior alternative to the Congress Working Committee's three-State formula can be found. It is possible for Maharashtrian opinion to contemplate even the original SRC proposal of a bilingual State as a better solution because it would leave Bombay city common. This might, however, be linked to a demand for an opportunity for accession of Vidarbha to Bombay after five years, with a corresponding right to Gujerat to secession from such a State with a Maharashtrian majority. This proposal is unlikely to gain acceptance and the Maharashtrian leaders still lack the strength to take a decision.

The other unfavourable developments are the rejection by Bihar of the proposal to detach some areas for transfer to West Bengal and the refusal of Himachal Pradesh to merge into Greater Punjab. In Vindhya Pradesh, the Legislature was adjourned after ugly scenes. Madras, Travancore-Cochin, Mysore, U.P., Rajasthan, Madhya Pradesh, Andhra and Bhopal have all agreed with the report, as was generally expected, with only minor reservations that were inevitable. The cry in Delhi against its being made a Centrally administered area has not abated but the lack of popular support for this demand has been exposed. Few of these developments were unexpected. The rioting in Bombay alone marred the atmosphere much more than these noisy controversies within and outside Legislatures. In contrast, Punjab politicians have shown themselves to be more understanding despite their more intractable communal problem. This gain—which, one must hope, will endure—has set off the other troubles to some extent.

POLITICAL CRISIS IN FRANCE

MANY GOVERNMENTS have come and gone in France, but M. Edgar Faure's had to grapple with a host of grave problems like the North African situation, relations with the U.N. and France's role in European security. The withdrawal of the Moroccan question from the U.N. General Assembly, and French resumption there cannot be interpreted as being a final solution of the problem. Tension is heightening in Algeria. The Saar referendum has resulted in a great setback to French interests and aspirations. Germany's future position, which has defied all attempts at solution so far, presents a big question-mark. Thus the problems remain as well as the continued political instability. Though with the Faure Government's fall the Assembly stands dissolved and fresh elections are to be held early next month—which the opposition had tried to postpone—it is unlikely that France will get what she needs most—a stable government. Stability is mainly dependent on a two-party system of government which is not possible in France under her present Constitution, seemingly drawn up with a determination to keep both the extreme Left and the extreme Right from power. The result is the coalition of many middle parties, which change loyalty in accordance with their interests and are incapable of evolving a firm policy.

The forthcoming elections may, at best, create a somewhat clearer air but whoever forms a new government will have to face the same odds. A positive

remedy would seem to be to amend the electoral laws and bring the system in line with other democratic countries. The threat of Communist influence cannot, however, be overlooked; the Right extremist Gaullists may not be able to present a strong front. It depends on the democratic leadership of the country so to stimulate the general electors that under the reformed laws they may not give their support to the extremists. More than anything else, France needs what M. Auriol has aptly described as "a reform of political habits".

THE CYPRUS DISPUTE

THE TINY yet strategic island of Cyprus has remained in a state of anarchy for over a year now. The British Government's threats of strong measures have not succeeded in putting down minor disorders. Consignments of arms have fallen into the hands of insurgents though some have been captured by the authorities. Greece has been accusing Britain of having instituted a police State in Cyprus, yet violence has been taking its toll of life and property. Greek policemen are reluctant to act against the terrorists either in fear of reprisal or because of sympathy for the national cause. A wide gulf exists between the Cypriots and the British rulers in the island most of whom cannot speak Greek. Greece, which is directly involved in the tangle, has intensified its campaign against foreign rule and in favour of self-determination as against the previous demand for union with Greece. Though, with the growth of the Eoka, a Right-wing terrorist organisation, the Communists are believed to have lost some ground, yet they are said to form the only well-organised political group and many people support them in the absence of an alternative.

The British Government has remained adamant in its attitude to work for internal self-government "compatible with the strategic requirements of the present international situation." But the Cyprus dispute has already weakened NATO and the Balkan Alliance, defeating the objective of their policy. The proposals put forth by the United Kingdom at the tripartite conference on the Eastern Mediterrancan and Cyprus held in August-September last remain their policy. These provide for an assembly with an elected majority, a proportionate quota of seats as well as ministerial portfolios being reserved for the Turkish community. The Chief Minister, a Cypriot, would need the approval of the Governor. The failure of the conference has increased the bitterness not only between the Cypriots and the British but also the Turks and the Greeks, who have been traditional rivals. Sir Anthony Eden is reported to have written a personal letter to the Greek Premier to help in resuming negotiations but the situation is still serious.

A POINTLESS MOTION

WHILE THE purpose behind Mr. B. C. Ghose's motion in the Rajya Sabha last week—to increase the efficiency in the private sector of industry—contained nothing radical, the manner in which he proposed to bring it about was vague and confusing. Except as a fresh opportunity to criticise the private sector there was nothing in the resolution. His suggestion to set up a commission to inquire into the working of the private sector was mainly supported by the oft-repeated arguments of high managerial costs and high prices. It was only very recently that the question was thrashed out and the new Company Law is designed to bring down managerial expenses in units where they are found excessive. It is the function of a permanent body, the Tariff Commission, to inquire into prices, and the tyre, industry is a recent example of price regulation in the interests of profit restriction which should satisfy the Left. A new commission of inquiry would, therefore, be only a purposeless and expensive organisation.

The standard of efficiency depends on many factors like location of an industry and the equipment and technical personnel at its disposal. Besides these, there are political influences, official policies and attitude of trade unions, which are beyond the control of the private industry. A commission of Mr. Ghose's conception could hardly dig out any new knowldege that would be useful in finding solutions to the problems that are already known and are often not of the private industry's own making. A thorough inquiry into all industries is a stupendous task for any commission to handle. Even if it succeeded in making any recommendations, their implementation would prove to be very difficult. As the Union Commerce and Industry Minister admitted "all is not well" in some cases and each industry has its own problems.

YARN SUPPLIES TO THE HANDLOOMS

THOUGH THE Minister for Commerce and Industry, Mr. T. T. Krishnamachari, recently expressed such extreme dissatisfaction with yarn supplies to handlooms as to contemplate the setting up of spinning units in the public sector, the actual position does not seem to warrant this pessimism. Total yarn production has gone up and the Minister revealed at question time this week that 25,000 more operators were at work in the first half of this year on spindles than in last year. Though only a fourth of the licenced spindlage has been installed. But 400,000 spindles have been put in, representing a substantial addition in a short period. The supplies of free yarn have gone up from about 906,000 bales in 1952 to just over a million bales last year and actual deliveries from 810,000 to 964,000 bales.

The mills have sacrificed export opportunities in the process since total exports amounted to less than 12,000 bales in 1954 against 40,000 bales in the previous year and 218,000 bales in 1950. Yarns of finer counts packed by mills have also been on the increase progressively. The All-India Handloom Board's Second Annual Report covering the period up to the end of March this year makes the remark that "there have been no complaints from any quarter about non-availability of yarn or unreasonable prices." Also, as a result of the export policy which gave export quotas to mills which fulfil their obligations to supply yarn, the mills have increased the packings of free yarn. There may be room still for improvement but the position is not as unsatisfactory as to have justified this point being exploited by the Opposition in the Lok Sabha for a condemnation of the private sector.

AGREEMENT ON THE SUDAN

AN AGREEMENT has been reached between the British and Egyptian Governments on the determination of the future of the Sudan and on terms of reference for a Sudan international commission to be set up under Article 10 of the Anglo-Egyptian Agreement of 1953. The plebiscite will determine whether the territory, ruled jointly by the U.K. and Egypt since 1899, shall be an independent State or have a form of union with Egypt. The terms of reference provide for the commission to supervise both the plebiscite and the elections to a constituent assembly. The seven governments to form the commission have already been invited to nominate the members of the commission which is hoped to come into being shortly. The position taken by India of declining to accept any unilateral invitation to serve on the commission now stands vindicated.

The two Governments have also agreed that as soon as the results of the plebiscite and constituent assembly elections are declared, they will hold consultations with the representatives of the Sudanese Parliament on the steps to bring the Condominium to an end. The agreement marks an important step towards the objective of self-determination for the Sudan.

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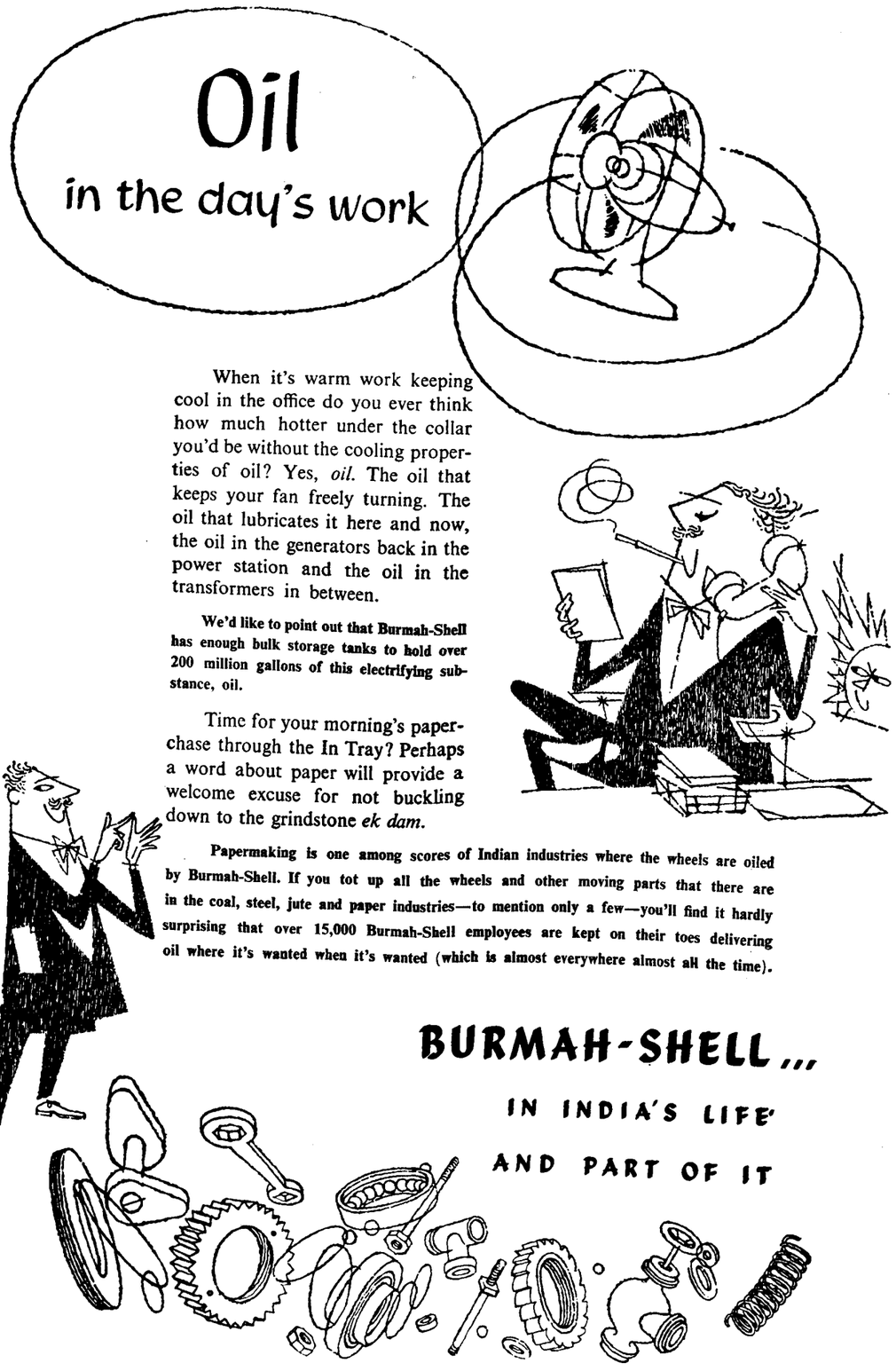
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A Window on the World

THE MYSTERIOUS WEST

By

ODYSSEUS

TO THE WEST, the major problem of our time appears to be that of the relationship between the democratic and the Communist countries. To many of us, the promulgation of the Panch Shila of co-existence by Pandit Nehru and Comrade Mao Tse-tung appears to have disposed satisfactorily of this problem. The Communists have promised not to interfere in our internal affairs and we have no desire whatsoever to interefere in theirs. Bus hogia. What more is there to be said? Q.E.D. The problem no longer exists. Those who think thus, and they appear to form a substantial bloc of Indian opinion, cannot understand, and are constantly irritated by, the continuing scepticism of the West which persists in thinking in terms of iron curtain and power blocs which the Panch Shila have rendered anachronistic. Was it not only a week or two ago in Delhi that Comrade Khrushchev laughingly asked "What, and where, is this 'iron curtain'?"

Important as it without question is that we should cultivate cordial relations with our Asian neighbours and should seek to co-exist peacefully with them, Europe and America (totalling without the USSR, a population of some 600,000,000 souls) are also component parts of this our One World, and it were no bad thing that we should seek to fathom the psychology of the Mysterious West as best we can, seek to cultivate cordial relations with it, and make some effort to co-exist as peacefully with them as with anyone else. Apart from thus fulfilling India's pacific ideals, common sense suggests that the cultivation of good will with the West may still have its uses because, although all observers appear to be in satisfactory agreement that the material power of the West is in decline and that all is set for a resurgence of the East (from Moscow to Peking and from Murmansk to Colombo), the interval before the final eclipse may be anything up to half a century or more, during which there would be no harm in tapping western resources in capital equipment and technical aid to eke out the massive Soviet aid expected to hasten our apotheosis.

Those of the class who are not sucking their pencils and gazing idly out of the window will by now have grasped that there is some slight ironic intent in the expression of the foregoing ideas, so now let us drop the irony and face a plain fact of the famous unvarnished variety:

INDIA'S UNIQUE HERITAGE

During the past one hundred and fifty years, there have been a connexion and an interpenetration of ideas between India and the West that of all Asian countries is India's unique experience. It is true that the Dutch and the French have left their marks elsewhere in Asia, but neither in Indonesia nor in Indo-China, for example, has there been anything approaching the closeness of the cultural ties established between India and Britain. This is not to assert that the British turned educated Indians into Englishmen: it is to suggest that educated Indians have assimilated and adapted to their own use and requirements a substantial part of European philosophic, political, economic, and administrative ideas and methods. Nor is this to assert that no price was paid for this experience (Is there any experience without its price?): it is to suggest that it is an invaluable and unique heritage which gives a nation which wishes to modernise and industrialise itself (in the way that Japan did in the nineteenth century and the USSR did in the twentieth) a head start over every other nation of Asia.

If this is accepted, I urge that it is important that we do not turn our backs on this great heritage, so that the heavy price that was paid for it may not prove to have been suffered in vain. Our political, educational, and economic systems and ideas, and the personal experiences of most of those who at present work them, give us better understanding of the West than any other Asian country. They give us, moreover, incredible practical advantages (such as a widespread knowledge of the English language—key to world diplomacy as to world trade—at any rate for a few more years to come) which we should exploit to the Nth degree while yet we have them. Our practical understanding of western psychology should enable us to interpret the West to Asia and Asia to the West on a far wider and greater scale than seems as yet to have been attempted. Pandit Nehru and his aide, Mr. Krishna Menon, have acted more as go-betweens than as mutual interpreters—at any rate in their published utterances I seem to have missed any attempt to explain the problems and difficulties of the West to the Soviets and to the Chinese.

A GREAT INTERNATIONAL CLUB

To some extent, of course, we are indeed cashing in on our unique Indo-British experience. Our diplomats and business men do conduct their negotiations in English in the majority of the world's capitals and they take advantage of their well established connexions with the West. There is a constant coming and going in the scientific and educational worlds. We belong to a great international club to which many other less fortunately situated countries (some would say with happier histories perhaps) would give a great deal to be able to enter with such ease. On the practical level, we are doing well enough.

It is on the ideological level that, I suggest, we may be in danger of letting slip out of our hands a part of our unique experience. And here it is that we come up against the plain unvarnished fact to which I referred earlier. This fact is that when all has been said about the close and real interpenetration of ideas that has taken place between India and the West, there must inevitably remain some gap between Indian and western thought because history, geography, and economics have created certain differences in the points of view from which each looks out on the world.

There is a Mysterious West.

I propose to devote a week or two to shedding such light as I can on its more curious and out of the way aspects in so far as they affect international relations.

The fundamental mystery is that with which I opened this article. The question, to put it beyond the possibility of misunderstanding, is: Why is the West so bloody-minded in refusing to recognise the new Asian

concordat established by the Panch Shila? Why is the West so persistently suspicious of Soviet and Chinese motives?

In attempting to answer, I have fortunately to my hand a new Penguin Special by Mr. Guy Wint, entitled "Spotlight on Asia". In trying to explain Asia to western readers, Mr. Wint throws much light on the motives of the West.

INDIA AND CHINA

It is Mr. Wint's argument that the vast changes that have overtaken Asia, and that are advancing it to the front place in international affairs, originate from two sources, two streams that cannot mingle. On the one hand, the century and a half of the Indo-British connexion transformed the sub-continent into the home of a liberal civilisation, whose institutions have in the course of time developed into those of a parliamentary democracy. This transformation has broadly speaking been evolutionary and peaceful. Such blood as was spilled was generally that of individual martyrs, a circumstance that contributed powerfully to the development of the liberal attitude and the notion of the rule of law rather than the tyranny of despots or of mobs. On the other hand, in China, Asia has a second great originating centre of a totally different civilisation which also has been transformed, not by peaceful evolution but by the resounding collapse of dynasties, the wholesale spilling of blood in civil wars that persisted for half a century and ravaged vast areas, to say nothing of the appalling miseries of two foreign invasions launched by the Japanese in 1931 and again in 1937. These radical changes reached their climax with Communist seizure of power after a successful civil war against Chiang Kai-shek. The outcome has been the emergence of a new civilisation in China derived in part from the totalitarian principles and doctrines of Communist Russia and in part from the despotic and authoritarian traditions of China's past.

A study of Mr. Wint's book suggests that part of the West's current mysteriousness for the India of the Panch Shila is that the West sees India and China as the two new colossi of Asia, engaged, consciously or unconsciously, in competition to set the political and economic pattern for the rest of Asia, the issue being complicated by the world struggle of communism and democracy.

Of course, it is open to you to reject the premiss on which this argument is based and to assert that there is no issue between communism and democracy that cannot be settled by the Panch Shila. You may be right, but the attitude of the West cannot be dismissed out of hand because they have a widely respected world authority to quote against you. It was Lenin who said: "In the last analysis the issue will be determined by the fact that Russia, India, and China represent a crushing majority of the population of the globe." So that as long as humane and liberal India stands out of communism, the West believes that its own chances of survival are greater, which is one of the several reasons why the West has a passionate interest in the independence of India. But if Lenin's view is accepted, the USSR and China have an equally passionate interest in seeing that democracy is stamped out of India, and Asia thus made safe for communism. Lenin ought, I should think, to be a fairly reliable authority on the aims of communism, for he was, I understand, a sort of Tulsidas to the Communist Ramayana.

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A DELHI DIARY

DULL, DULLER, DULLES

IT is quite amazing how Mr. Dulles has succeeded in obtaining the lowest marks in the political stakes. I would have imagined that it would have been difficult to have produced in India any equal indignation to that which attended the signing of the Pakistan-U.S. Military Aid Pact. History, however, is full of surprises and, so, it seems, is Mr. Dulles. Tried observers of the United States—and I have talked to two of the foremost publicists in the United States this fortnight—have told me that they are now convinced that the United States-Pakistan Pact was quite certainly not in the interests of the United States. I would have imagined that the climate in the United States was veering round to a recognition of India's view that the last Dulles' Indian operation was not only not in our interests but was equally not in the interests of the United States. Things looked like getting better. Then at this time, when it seemed there was a possibility of a rapprochement—the more necessary because of the Russian presence in the Indian sphere of influence—the Dulles-Cunha statement has come as the proverbial bolt from the blue. In one incompetent, unimaginative and unnecessary pronouncement, the United States Secretary of State has succeeded in alienating America's friends and giving joy to America's enemies in this country.

I see this as a major psychological question. It needs a Freudian explanation. I have been asking Americans as well as others in India why this extravagant and foolish statement appealed to Mr. John Foster Dulles? I have not succeeded in obtaining any answer. To say that the American Secretary of State was naturally upset by Russian encouragement on Goa and, therefore, felt it was necessary to injure the Russians and to hurt India (which was not a party to Mr. Khruschev's statement) is to imply that the Secretary of the United States operates on the basis of personal pique and not of national or international principle. To my mind, this cannot be a true statement of the case. But, if it is, Mr. Dulles is quite unfit to hold his high office. There are many people in India who are asking how long he will last. Being wise (beyond my years) I have given him time till January 1957. Whether a Republican President is elected or not, it seems to me that the days of Dulles are numbered. But cannot some earlier action be taken to save the Free World from these terrible mishaps?

STONEWALLING IN DELHI

Sympathy in New Delhi has been extended quite warmly to the American Ambassador. He is at the present time fighting what I believe is called a "rear-guard" action. The initiative is all with the Russians and Indian foreign policy, just on the point of being 'corrected' in its process of leaning, has tended now to stay where it was. The remarkable tenacity, patience and calm of Mr. Sherman Cooper, under conditions which might well break down an enthusiastic spirit, deserve high praise. I have heard of a Stonewaller called Jackson. Was he by any chance an American? I have seen some stout stonewalling by an American in New Delhi this week!

DOMESTIC PANCHSHILA

I have just time to deal with a matter which looks to me at least on the face of it to be a matter of some concern. This was the statement made by the Prime Minister when on a private member's bill reference was made to "conversion". I have seen no elaborate report of the Prime Minister's remarks. But I understand that the tenor was to the effect that this was an appropriate time for the Panchshila doctrine to apply to the domestic scene. I do not claim to understand Panchshila. It seems to be getting more and more involved. But do I understand that democratic persuasion (which has now been banished between countries lest it may be misunderstood in the Panchshila world) will no longer be allowed according to the Panchshila philosophy inside the national arena? Do I understand that men and women are not to be persuaded or converted from possible errors? Does this imply that the Government of India will not have any publicity department lest the views so delivered are 'conversion' or an attempt at 'conversion' to another view? Or—worse still—can it be that while the Government of India and all official organs aided by tax-payers' funds will be available for converting us to the Prime Minister's views, we should, by no means retort in like measure with an attempt to 'convert' the government to any view believed by us to be in the national interest?

I cannot make much of the Prime Minister's statement but it looks to me to be one which needs what is now comprehensively called clarification. I call upon "The Eastern Economist" as usual to "clarify" in its next issue!

PUBLISHING IN THE PUBLIC SECTOR

As an occasional author myself, I cannot but rejoice over the Prime Minister's rebuke, delivered with great force this week to publishers and booksellers, that authors have often been "disgracefully treated" by them. I share the Prime Minister's view that without the writer, there would be nothing for publishers or sellers, though the latter can well retort that authors might remain unknown all their lives if there were no publishers or sellers ready to take all the risks with the writings—not excluding the Press(Objectionable Matter) Act. The Prime Minister did not overlook the poor reading habits in this country which makes it necessary that a market for books, as for many other goods, has to be created in this country. But even the modest amount of passion that exists for reading is often satisfied by borrowing and my own library bears ample testimony to this effect. Here I may suggest that the velocity of circulation of books is a fit enough subject for a sample survey on behalf of the publishing trade, if it should seek to defend itself against the charge that it has not promoted readership in this country!

But where I cannot really follow the Prime Minister is in regard to the declaration the Government would "come in a big way" in the publishing trade to bring out cheap editions of classical books and translations and teach the book trade a thing or two about how they should go about their business. By what mysterious process does the Government derive this special advantage? If it implies that the Government can subsidise books in the way in which the trade cannot, it makes some sense but that is hardly a point against the trade. Would Government be able to buy its paper cheap or print at lower costs? Even if it can dispense with profits as such, can it refrain from touching the tax-payer for the losses on unsold publications? Even so, I observe that the Publications Division, which has been making the experiment, has not been selling its publications noticeably cheap.

ARGUS.

Economic Report from the U. S.

RECORD FOREIGN TRADE LEVEL

(BY GUY SIMS FITCH)

WASHINGTON, Dec. 6.—That the United States will achieve record levels of trade with the rest of the world this year has been a foregone conclusion for some months now. But the extent of the gains has occasioned both surprise and pleasure. This is pointed up by two startling reports released within the past few days. One reveals that the level of U.S. imports in October, the latest month for which such data are available, reached the total of $1,034 million—the highest monthly of 1955. The U.S. import total stood at $9,300 million, a 10 per cent rise over the same period of 1954. Nor is this all. Hard on the heels of October imports results came a Treasury Department report that U.S. Customs receipts, usually indicative of the import trend, took another impressive jump in November, increasing some 6 per cent over the October level and some 27 per cent over the November 1954 level and just getting under way is December, traditionally another good month for foreign trade. It therefore stands to reason that unless some highly unlikely reversal occurs, U.S. purchases of goods from other countries are almost certain to hit the $11,200 million mark this year, a gain of $1,000 million over 1954. Thus, after four straight years in which its annual imports exceeded $10,000 million, the United States is passing another milestone in its trade relations with other countries—an import level of $11,000 million.

Despite their increased purchases of American supplies, other countries still are building up their gold and dollar reserves this year by about $1,500 million, in the aggregate, as a result of their net transactions with the United States. An analysis of current trends shows that in 1955 the total dollar supplies obtained by other countries from the sale of goods and services to the United States will exceed $20,000 million for the first time in history. The record U.S. import level, of course, accounts for the major part of this gain. But in addition, U.S. Government outlays, including economic aid but excluding military equipment, will approximate $5,400 million, compared with $4,500 million in 1954. Also on the upgrade is private American spending for foreign travel, transportation and other services. With its industrial production at an all-time high, the United States has been purchasing more materials from abroad to supplement its own rich heritage of natural resources. It is not surprising, then, to find imports of such commodities as copper, lead, iron ore, crude rubber, and industrial diamonds on the rise this year.

While the principal stimulus to 1955's record trade levels has come from surging economies here and abroad, Government policies have played a material part in widening the channels of commerce. Thus, many countries in Western Europe and elsewhere have continued to relax their restrictions against American goods. In the United States, 1955 has been marked by a number of outstanding advances. Including the three-year extension of the Trade Agreement programme and continued easing of customs procedures.

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

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

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

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

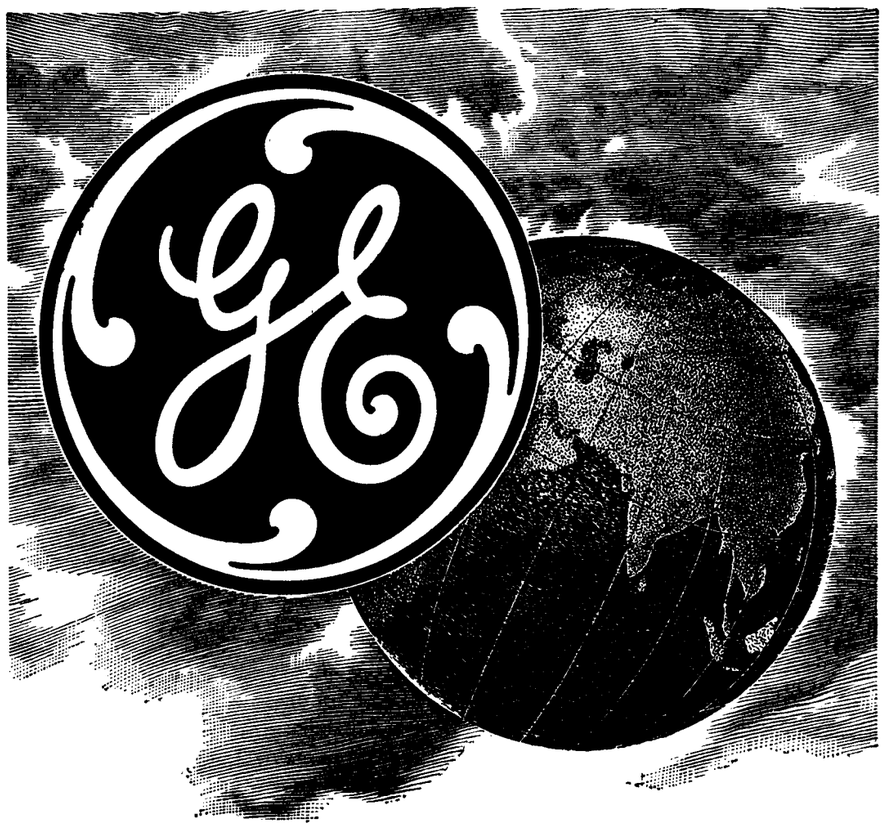
It has been issued in the following four editions:

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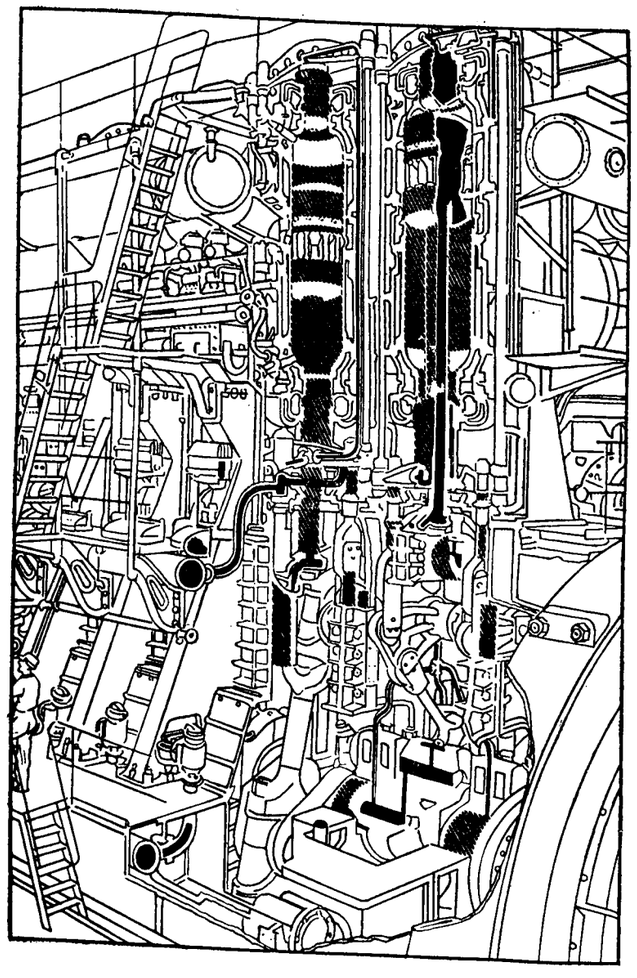
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WORLDGRAM

AGRICULTURE

Record World Sugar Crop: The world will produce the largest sugar crop ever in the year 1955-56, says the U.S. Department of Agriculture. Most of the increase will be in Russia. The 1955-56 forecast for the Soviet Union, 3 million short tons, is 500,000 tons more than the 1954-55 figure. Other major sugar-producing countries are Cuba, which estimates a 5 million-ton production crop this year (4,994,000 last year), India, which estimates 2.1 million tons (against 2 million) and Brazil which estimates 2,470,000 tons as against 2,479,000 tons.

*

New Canned Food Plant: The Australian Prime Minister, Mr. R. Menzies, opened last month the new food canning plant of H. J. Heinz at Dandenong, Victoria. This plant, built at a cost £A4 million, is Australia's biggest single user of food and primary produce, and will provide a permanent market for vegetable, dairy and poultry farmers of this region.

*

New Seed Farm in Israel: A new farm specialising in seed production, including experimental work in acclimitization, improvement of strains, etc., has been established by a company in Israel, the Hazorea Seed Growing Company, near Kiryat Gat in the Lachish development area. This is the company's fifth seed growing farm. The company is at present engaged in a large-scale mechanisation of operations on its farms, which has already resulted in a substantial reduction in production costs. The new Lachish farm is specialising, for the time being, in growing seeds for dry farming crops. As the acreage under irrigation in the area increases, the farm will also begin to produce seed for irrigated crops.

INDUSTRY

Sharp Rise in U.K. Plastic Output: U.K. output of plastic materials has doubled over the last five years. In the first six months of this year, total output was almost 22 per cent higher than in the same period of 1954. Since 1952 output of thermo-setting plastic has risen by about 45 per cent to an annual rate of 160,000 tons in the first half of this year, while production of the newer thermoplastic —in the main the lighter and more flexible products—has risen by 134 per cent to 164,000 tons in the same period.

*

New Steel Pipe Mill in U.K.: The new steel pipe mill of the South Durban Steel and Iron Company, claimed to be the only one of its kind in Western Europe capable of producing to the range of sizes and specification required to meet increasing world demand for line pipe, was recently opened in Stockton-on-Tees. The Company has already obtained important orders, including one worth $12 million, for 75,000 tons of pipes for the transmission of natural gas 250 miles across Canada. The new pipe mill was brought into production within 15 months of securing permission for the scheme.

*

Oil Discovery in Karachi: A British expert has located petroleum deposits in the residential suburbs of Karachi town. The drilling of a test well will be started early next year by the Pakistan Petroleum Company—a subsidiary of the Burmah Oil Company—which has acquired 52,000 square yards of land. Building operations in this residential locality have been suspended by Government order for six months to enable the company to carry tests.

*

Steps to Increase Aluminium Production: The existing manufacturers of Aluminium ingots have been granted licences to increase their capacity from 7,500 tons to 20,000 tons per year. Facilities to import plant and machinery and secure release of controlled commodities such as steel are being provided. A Committee of Experts was recently set up by Government to examine and report inter alia on possible sites for additional capacity for aluminium in the country, having regard to the availability of bauxite, power and other facilities required.

*

U.S. Steel Output May Set New Record: Steel production in the United States is expected to set a new record by mid-December this year with 105,530,000 net tons for ingots and castings already produced. The record year was 1953 when 111,609,719 tons were produced. Steel production in the United States has been running at 99 per cent of capacity for the past three weeks and the heavy demand for the products has increased its price. The auto industry, one of the biggest users of steel, it is predicted, will spend a record $1,800 million for expansion and modernization next year, an increase of 50 per cent over 1955.

*

New Smelter to be Installed at Hirakud: Mr. K. C. Mahindra, Chairman of Indian Aluminium Company, Ltd., has disclosed that the Company will proceed immediately with the erection of a new 10,000 ton smelter at Hirakud, Orissa. Alumina for the new plant will be supplied from the Company's plant at Muri, and power will be derived from the new Hirakud Power Station. The Company's expansion schemes will triple its production of aluminium and, it is believed, will substantially meet India's requirement of aluminium envisaged in the second Five-Year Plan. The smelter will be in operation by the end of 1958 and the Company's total rate of production of 15,000 tons per annum will be reached the following year. The capital cost of this expansion, about Rs. 7.5 crores, will be realised by additional shares, short-term loans and by retained earnings. The associated Canadian international enterprise, Aluminium Limited of Canada, has agreed to subscribe half of the shares which are expected to be offered to Indian Aluminium Company's shareholders early next year.

*

Hoover Studies Electronics: Hoover has set up a new research department at Perivale, Middlesex, headed by Dr. David Martineau Tombs, recently senior lecturer in telecommunication, Imperial College of Science, London. Among the functions of the department will be the study of electronic and other new scientific discoveries with a view to their development and conversion to practical use in future Hoover products.

*

New Aluminium Plant in Tasmania: The new aluminium plant built by the Federal Government at Bell Bay, Tasmania, at a cost of £A12.5 million, will add greatly to Australia's industrial strength and defence potential, particularly if the normal supplies of bauxite from overseas are cut off. This plant has been designed to use low-quality bauxite, obtainable in large quantities from St. Leonards, Tasmania, and New South Wales, in an emergency. The Bell Bay plant will save Australia more than £A3 million a year when in full production and will produce 13,000 tons of aluminium—about 75 per cent of Australia's requirements—yearly. The Aluminium Production Commission hopes to produce 6,000 tons this year, 10,000 tons next year, and reach full capacity in 1960.

TRADE

Higher U.K. Cycle Exports: Britain's cycle manufacturers continue to increase their exports and in the first ten months of this year total overseas sales were worth nearly £3 million more than in the same period of last year. The industry sent 246,225 machines abroad

during October or 45 per cent more than the 169,217 exported in October 1954. This raised overseas sales for the first ten months of the year to 1,967,549 machines compared with 1,703,805 cycles in the same period last year. By value, October exports, with parts, were worth £2,443,947 against £1,659,262 a year ago, to make the ten-month aggregate £26,065,309 compared with 23,162,920.

*

Import of Steel: 169,045 tons of steel valued at about Rs. 10.73 crores is proposed to be imported during this year under the Indo-American Economic Aid Programme. Of this quantity, 44,200 tons would be distributed for various Government development projects and 54,400 tons for the railways. For re-rolling 37,000 tons would be given and the balance of 33,445 tons would be distributed for industrial purposes.

*

Measures to Increase Coal Exports: Some of the recommendations made by the Committee, which was appointed to investigate the measures for increasing Indian coal exports, have been accepted and two recommendations are under consideration, according to the Production Minister. One recommendation, he added, could not be accepted. The main recommendations which have been accepted are abolition of State trading in coal, relaxation of gradewise restrictions on export coal, adoption by the Coal Grading Board of the grading specified in the Colliery Control Order, and the adoption of all possible measures to effect improvements in the facilities available at Calcutta Port.

*

U.K. Exports Reach New High Level in October: United Kingdom exports were valued at £267,800,000 in October, exceeding by over £3,500,000 the previous monthly figure (recorded in August of this year). Most classes of export goods shared in the rise in October. Iron and steel, non-ferrous metals, machinery, commercial vehicles, clothing, footwear, and whisky showed considerable improvements compared with the previous half-year's figures. After being lower in September, imports rose by £29,000,000 in October to £333,400,000—4 per cent above their average level in the first nine months of the year. The excess of imports (valued c.i.f.) over exports and re-exports in October was £52,800,000, compared with an average of £75,100,000 for the first nine months of this year.

*

Protection to Aluminium Industry Extended for Three Years: The Government of India has accepted the Tariff Commission's main recommendation that protection to the aluminium industry may be continued for a further period of three years, i.e., till December 31, 1958, and the existing levels of duty, viz., 30 per cent ad valorem plus 5 per cent of the total duty be maintained on (i) aluminium manufactures, namely, plates, sheets, circles, strips and foil, including foil in any form or size ordinarily used as parts and fittings of teachests, and (ii) aluminium in any crude form, including ingots, bars, blocks, slabs, billets and pellets.

FINANCE

Greek Banking System: The Greek Government recently announced its intervention in the Greek banking system, following an investigation into the alleged restriction of credit for productive enterprises. On the ground that three of the biggest banks have issued "preferential and speculative credits to the detriment of useful enterprise", Government commissioners have been appointed to the Commercial Bank and the Ionian Popular Bank. Similar action is forecast soon for smaller enterprises.

*

Liquidation of Reichsbank: The West German Cabinet has approved the draft bill for liquidating the former Reichsbank and its subsidiary, the Gold Discount Bank. Holders of Reichsbank shares will receive DMs. 60 per cent of the nominal value of their old Reichsbank shares in "participating certificates" of the future German Federal Bank. The certificates will be listed on Stock Exchanges but will not rank as shares in the equity of the Federal Bank. Proposals to compensate shareholders in the Gold Discount Bank were also approved.

*

U.S. Treasury Financing: The U.S. Treasury has offered a one-year 2⅜ per cent Certificate and a 2½-year 2¾ per cent Note in exchange for $12,300 million of securities maturing on December 15. Holders of the maturing certificates may exchange their holding for either of the two new issues. The following maturing securities are eligible for exchange: About $5,400 million of a one-year 1¼ per cent Certificate dated December 15, 1954; and $6,900 million of a five-year 1¾ per cent Note dated December 15, 1950. The new Certificates and Notes are dated December 1, 1955.

GENERAL

Full Employment in Austria: There has recently been a remarkable increase of production in Austria, combined with virtual full employment conditions, according to a report issued recently by the Organisation for European Economic Co-operation (O.E.E.C.) But now there is some danger of Austria's internal demand outrunning Austria's available resources. Discussing economic conditions in Austria for the last 18 months, the report says that increases in Austrian industrial output have been stimulated mainly by rising investment.

*

U.S. Aid for Egypt: Forty-Five new diesel-electric locomotives are being supplied for the modernisation of Egyptian Republican Railways from U.S. economic development assistance funds this year. The locomotives, costing £E2.9 million, are a major part of the £E5,612,000 railway improvement programme being financed from the £E13,886,400 made available under the Egyptian-American agreement of November 6, 1954. Delivery of the locomotives will begin in about six months at the rate of five units a month. They will reduce fuel costs and repairs by nearly 50 per cent over steam locomotives.

*

Grants-in-Aid to Welfare Institutions: About 200 selected institutions will get grants of Rs. 10,000 each per annum for a period of 5 years for starting new welfare programmes as well as for extending their present activities, and another 100 institutions will get grants of Rs. 10,000 each per year for 5 years for undertaking new welfare programmes. These proposals form part of the scheme of grants-in-aid drawn up by the Central Social Welfare Board for the second Five-Year Plan period. The scheme has been given general approval by the chairmen of State Social Welfare Boards at the All-India Conference held in New Delhi from November 5 to 10.

*

F.A.O.'s Technical Assistance: Sir Herbert Broadley, the Deputy Director-General of F.A.O., recently told the 8th session of the F.A.O. Conference, that the Organisation's funds for technical assistance to underdeveloped areas in 1956 would total approximately $8,60,000—the highest figure since the Expanded Technical Assistance Programme was begun five years ago. Reviewing the history of F.A.O.'s technical assistance work, he said funds available to the Organisation for E.T.A.P. activities had shown a steady rise since 1953, the second year of E.T.A.P.'s existence. Last year's fund of $7,600,000 had been completely expanded. Some 450 experts are expected to be in the field during 1956 as against 224 in 1953, and some 300 fellowships would be awarded against 115 in 1953.

NEWS IN BRIEF

INDIAN

An area of 13,000 acres of land had been brought under the Japanese method of paddy cultivation during 1955 in the East Godavari district of Andhra.

*

The presence of valuable limestone deposits in the 1,500-foot high Someshwar range of hills covering an area of 364 square miles has been reported by Mr. N. Prasad, Chief Mining Officer, Bihar Government.

*

Schemes costing about Rs. 23 lakhs for the development of coir industry in Malabar and South Kanara districts on a co-operative basis are to be taken up under the second Five-Year Plan.

*

The Prime Minister inaugurated a labour training college at Indore on December 8. The first of its kind in Asia, the college would train trade unionists on healthy lines.

*

The Government of India has expressed the view that octroi duty should be abolished and is taking steps to persuade State Governments to do so wherever it exists.

*

The total receipts to the Prime Minister's National Relief Fund, since its creation in November 1947 to November 9, 1955, amount to Rs. 1,51,36,313.

*

The Government of India sanctioned Rs. 20,55,542 in October for the construction of 980 tenements under the Subsidised Industrial Housing Scheme in various States.

*

The estimated total cost of rolling stock required by the Railways against the 1955-56 programme is Rs. 108.4 crores. This includes cost of 622 locomotives, 37,600 goods wagons (in units) and 1,298 ordinary passenger coaches.

*

The Community Projects Administration has drawn up a programme for training of technical personnel required for the promotion of cottage industries in the Community Project areas. The training will be given at the four Regional Institutes of Technology at Bombay, Madras, Delhi and Calcutta.

*

The expenditure incurred on construction work at Kandla Port up to September 1955 amounted to Rs. 598 lakhs. Out of this amount, a sum of Rs. 144 lakhs represented the expenditure incurred during the period January to September 1955.

*

The Government of India does not propose to permit the import of rock salt from Pakistan through ordinary trade channels. The procedure for procurement, import and retail sale is being worked out in consultation with the State Governments concerned.

*

The first Chemical and Textile Standards Convention, organised by the Indian Standards Institution, will be inaugurated on January 10, 1956, at Bombay by Shri T. T. Krishnamachari, Minister for Commerce and Industry, who is President of the Institution.

*

The Government of India has fixed the price of tea for determining export duty at Rs. 3-5-4 per lb. as against Rs. 3-7-6 in force since November 1. There will be no change in the existing rate of duty of 8 annas per lb.

FOREIGN

United States pharmaceutical manufacturers will spend between $40,000,000 and $50,000,000 annually in research work during the next few years.

*

The Philippines has proposed a barter agreement with Thailand for exchanging Philippine sugar for Thai rice. The Thai Government is studying the proposals.

*

The first steel mill to be set up in Venezuela at a cost of $128,000,000 is to be built near the new city of Puerto Ordaz by an Italian combine led by the Fiat engineering group.

*

Ceylon has accepted a Soviet offer of 100,000 roubles worth of hospital equipment as part of the USSR's contribution under the World Health Organisation to the South-East Asia region.

*

Pakistan has lifted control on imported cotton cloth and yarn. Indigenous cloth and yarn are already exempt.

*

Egypt's first steel plant will be producing by October 1957, with an initial annual output of 220,000 tons, some two-thirds of the country's present requirements.

*

Yugoslavia's new economic course involves a switch from heavy industrialisation to consumer industries and agriculture, according to Marshal Tito.

*

According to John B. Hollister, Director of the U.S. International Co-operation Administration, the broad current level of U.S. aid to other countries is not likely to change at this time.

*

The Indonesian Ministry of Communications has approved a Five-Year Plan submitted by the State Railway Department to improve the railway system in Java, Sumatra and Madura.

*

Under a recent agreement with the Soviet Union, Israel will purchase 350,000 to 400,000 tons of crude and fuel oil from Russia. The oil will be purchased at prevailing world prices. Russia will receive from Israel 15,000 tons of citrus fruits and bananas.

*

Following pressure from the High Authority of the Coal and Steel Community, the price of French steel for domestic consumers is being increased by about 3½ per cent. The increase will apply to two-thirds of French steel production.

*

One of the worst forest fires in the history of New Zealand has destroyed timber worth £3,000,000. The blaze swept across 6,000 acres of the Balmoral State forest.

*

The Pakistan Government has approached the Ford Foundation for aid to build a new Federal Capital. Regular talks with regard to the aid are expected to be held after the completion of the scheme for the construction of new Capital.

*

Over 220 factories in Shanghai have become joint State-private enterprises since the beginning of 1955, according to Chinese Communist official sources. They include all the city's textile, flour, rice and paper mills, tobacco factories and the major motor car spare works.



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prospecting for oil

Crude oil is not found everywhere in the world. Here and there it may occur in rocks that were once at the bottom of ancient seas and lagoons. But finding an old sea-bed is no guarantee that oil will be discovered there; *that* can be decided only by drilling a test well.

In some areas, likely clues to buried rock conditions may be found on the surface of the earth, but where surface features are absent, as in the Assam Valley, the search for oil possibilities is aided by geophysical surveys.

Three different methods of geophysical surveying for oil are being employed by the Assam Oil Company to "feel" for suitable rock conditions under the Brahmaputra's thick blanket of Alluvium.

By aeromagnetic, gravity and seismic surveys, scientists can form a picture of the type, depth and attitude of buried rock layers.

But none of these can point to oil —even if it is there. The scientists, after studying the results, can only say—there *may* be oil there. The only absolute way of finding out is to drill a test well. Frequently the answer then is—no oil. The prospector must try again elsewhere . . . and so the search goes on, in the hope that India's petroleum requirements may be supplied to an ever increasing extent from her own resources.

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Special Articles

MARKETING AREAS IN INDIA

IN view of the greatly increased development expenditure foreshadowed during the second Plan period, the possibilities of market expansion in India have naturally aroused keen interest in commercial and trade circles, both foreign and Indian. An interesting survey on the marketing areas in India has been carried out by the World Trade Information Service of the U.S. Department of Commerce. The pamphlet contains information for all those interested in having a comprehensive idea of the marketing areas in this country.

India is divided historically into four major trading regions, the largest city in each area being the focal point for distribution. These regions may be defined roughly as the northern district with Delhi in the centre; the eastern area, served by the port of Calcutta; South India, dominated by the coastal city of Madras; and the western and central portion, the hinterland of Bombay.

The Bombay marketing area comprises the States of Bombay, Saurashtra, Kutch, Madhya Pradesh, Madhya Bharat, Hyderabad, Bhopal and Vindhya Pradesh. It also includes Portuguese possessions in India (Daman, Diu, and Goa). This area of approximately 440,550 square miles had a population of 93,601,000 people, according to the 1951 census. It accounted for 52 per cent of India's imports in the fiscal year 1953-54 and 24.5 per cent of total exports. Bombay State is the most important territory in the marketing area from the point of view of both industrial and commercial development. It stretches along the west coast of India, from Gujerat in the north to Kanara in the south, and has an area of 111,434 square miles and a population of 35,956,000. In the State are the rich plains of Gujerat, watered by the Narbada and the Tapti rivers; their fertility is so marked that they have long been known as the Garden of India.

This marketing area has abundant mineral reserves, principally in Madhya Pradesh. In 1952, geologists discovered deposits of iron ore sufficiently large to feed a moderately sized iron and steel mill. Madhya Pardesh has large quantities of limestone to serve as raw material for cement production. This State has the richest manganese ores in India and also extensive deposits of bauxite. The coal reserves of Madhya Pradesh are estimated at 5 million tons.

TABLE 1

ACREAGE AND PRODUCTION OF PRINCIPAL CROPS, BOMBAY MARKETING AREA, 1954

[For crop year ended June 30]

Crop	Acres (thousands) 1954	Production (in units indicated) 1954	Per cent of total Indian production 1954
Castor seed, 1,000 long tons	1,010	65	60.8
Cotton 1,000 bales	13,525	2,678	68.0
Jowar 1,000 long tons	31,693	5,451	70.1
Flaxseed do	1,855	148	41.7
Mesta 1,000 bales	309	348	48.6
Sesame 1,000 long tons	2,714	217	40.9
Small millet do	5,658	835	38.3
Groundnuts (peanuts) do	6,655	1,749	46.4
Dry chillies do	696	97	31.3
Pulses except gram do	14,427	2,041	38.2
Bajra do	12,316	1,412	33.3
Tobacco do	334	75	29.3
Wheat do	8,559	1,707	21.9
Gram do	5,099	776	17.1
Rice do	15.496	4,800	17.7
Sugar do	346	794	17.2

In spite of the industrial development of the two large cities, Bombay and Ahmedabad, the Bombay marketing area is predominantly agricultural. It produced about 30 per cent of India's total foodgrain production in 1953-54. Table I shows planted area and production of principal crops in 1953-54.

India is one of the principal oil-seed-producing countries of the world. The Bombay area accounted for 61 per cent of the castor seed produced in India in 1953-54, 42 per cent of the flaxseed, 41 per cent of the sesame seed, 46 per cent of groundnuts, and smaller percentages of other seeds.

The foreign trade of this area accounted for approximately 38.7 per cent of India's total foreign trade in 1953-54. Imports during this period amounted to $617.3 million, or slightly over half of the country's total imports, while exports amounted to $266.5 million, or slightly less than one-quarter of India's total exports.

The Calcutta marketing area encompasses 337,000 square miles, including the States of Bihar, Orissa, West Bengal (now including Cooch Behar and the former French possession of Chandernagore), Assam (now including the North-East Frontier Tract), Manipur, and Tripura; the frontier areas of Bhutan and Sikkim, whose external relations are governed by India; and Andaman and Nicobar Islands. The autonomous kingdom of Nepal is also a natural part of this marketing region, which serves a total population of 96,744,000.

Although not a compact, homogeneous geographic unit, the Calcutta area is fairly well defined from a marketing standpoint because of established transportation routes and commercial channels, so developed as to make the entire region tributary to Calcutta, the chief port of entry and distribution. The principal crops of the Calcutta marketing area are jute, tea, rice, potatoes, pulses, corn, mesta, and cotton fibres. Virtually the entire output of India's jute, more than 80 per cent of the tea, and over 50 per cent of the rice are grown in this region.

TABLE 2

ACREAGE AND PRODUCTION OF PRINCIPAL CROPS, CALCUTTA MARKETING AREA, 1954

[For crop year ended June 30]

Crop	Acres (thousands) 1954	Production (in units indicated) 1954	Per cent of total Indian production 1954
Jute 1,000 bales	1,269	3,128	98.2
Tea million lb.	615	487	80.1
Rice 1,000 long tons	38,102	13,603	50.2
Potatoes do	292	966	49.1
Mesta 1,000 bales	49	95	13.3
Pulses except gram 1,000 long tons	6,271	1,351	25.2
Corn do	1,759	307	10.7

Rice is grown in abundance in all the States in this area, the largest producing sections being found in West Bengal, Bihar, and Orissa. The total production of rice in the 1953-54 crop year was about 13,603,000 tons, or more than half of total production of rice in all of India. The all-India final estimate of the 1953-54 jute crop places the area and production at 1,269,000 acres and 3,128,300 bales, respectively, as against the corresponding estimates for the preceding year of 1,834,000 acres and 4,695,000 bales.

The States of West Bengal and Assam together account for almost 80 per cent of the sub-continent's total tea production. The production of tea in this marketing area was 478.5 million pounds in 1953 compared with 507 million pounds in 1952. The total quantity of north Indian tea exported to all countries in 1953 was 421 million pounds as against 339 million in 1952 and 359 million in 1951. India enjoys a virtual world monopoly in lac supply and most of the seedlac processed in the country enters the exports trade. Of India's total lac production, approximately two-thirds is produced in this area. In 1954, production amounted to 36,092 long tons and exports to 26,352 tons.

TABLE 3

MINERAL PRODUCTION, CALCUTTA MARKETING AREA, 1953

Item		1953 Output	1953 Per cent of total Indian production
Copper ore	1,000 long tons	238	100.0
Pyrites	long tons	277	100.0
Iron ore	1,000 long tons	3,584	93.2
Sillimanite	long tons	4,929	99.7
Kyanite	do	11,200	74.5
Coal	1,000 long tons	30,211	84.0
Chromite	long tons	37,194	57.4
Mica	do	4,558	70.9
Fire clay	do	54,816	76.1
Graphite	do	339	44.2
Bentonite	do	225	77.0
China clay	do	39,387	36.0
Bauxite	do	25,689	36.2
Asbestos	do	125	21.9
Apatite	do	3,814	87.5
Steatite	do	3,680	12.8
Manganese ore	1,000 long tons	475	25.0

The total value of this marketing area's foreign trade in 1953-54 amounted to $891 million compared with $1,010.7 million in 1952-53, a decline of about 12 per cent. Imports declined to $344.4 million, or 29 per cent of India's total imports, compared with $421.7 million, or 30.4 per cent, in 1952-53. Exports, on the other hand, declined only slightly, from $589 million in 1952-53 to $546.6 million, and constituted almost half of India's total exports in 1953-54. Two items, namely, jute manufactures, valued at $228 million, and tea, valued at $174 3 million, accounted for approximately three-fourths of the total value of exports from the area in 1953-54. Other principal exports were mica, manganese ore, coal and coke, hides and skins, lac, and wool, carpets and rugs.

TABLE 4

ACREAGE AND PRODUCTION OF PRINCIPAL CROPS, DELHI MARKETING AREA, 1954

[For crop year ended June 30]

Crop		Acres (thousands) 1954	Production (in units indicated) 1954	Per cent of total Indian production 1953
Barley	1,000 long tons	6,728	2,404	90.3
Rape and mustard seed	do	4,121	635	75.0
Wheat	do	15,771	5,637	72.9
Pulses	do	20,352	5,032	50.1
Corn	do	5,137	1,922	68.4
Sugar	do	2,488	2,643	60.7
Bajra	do	13,670	2,141	53.9
Flaxseed	do	1,071	157	45.4
Potatoes	do	280	773	43.6
Sesame	do	2,296	191	36.4
Cotton	1,000 bales	1,488	784	20.2
Small millet	1,000 long tons	2,052	341	18.5
Jowar	do	5,681	1,000	17.3
Rice	do	10,419	2,806	9.2

The Delhi marketing area comprises the following States: Uttar Pradesh, Rajasthan, Punjab, Patiala and East Punjab States Union (PEPSU), Ajmer, Delhi, Bilaspur and Himachal Pradesh. The area embraces 304,971 square miles with a population of 98,188,000. Most of the out-of-date commerce of Jammu and Kashmir is carried on through marketing channels in the Delhi region.

The principal crops of the Delhi marketing area are wheat, barley, gram and other pulses, corn, sugar and bajra. Some rice also is produced as well as rape and mustard seed, flaxseed, sesame, potatoes and cotton.

The most important industrial area in the Delhi marketing area is in the State of Uttar Pradesh, which has 16 cities with a population of more than 100,000 inhabitants, the largest being Kanpur (705,383).

The south India area, for which Madras is the chief distribution point, includes the States of Madras, Andhra, Mysore, Coorg, Travancore-Cochin, and the newly designated State of Pondicherry (comprising the former French settlements of Pondicherry, Karaikal, Mahe, and Yanam). The area embraces 168,208 square miles and had a population of 75,857,000 in 1951, the latest official census year.

Although South India is an important source of agricultural cash crops, it is deficient in food products, and imports wheat, unmilled rice, corn, and other grains and pulses. The main cash crops are peanuts, cotton, cashew nuts, pepper and other spices, oilseeds, coir and palmyra fibres, rubber, vegetable oils and oilcake, tea, essential oils, coffee, tapioca, and tobacco. The principal subsistence crops of South India are rice, ragi, and small millets.

Black pepper is one of the most important spices grown in India and a principal source of foreign exchange earnings. About 99 per cent of total Indian production of black pepper is grown on the west coast of South India in Travancore-Cochin State and the adjoining Malabar district of Madras State. Production of black pepper in India in 1954-55 is estimated at 20,000 tons compared with 21,500 tons in 1953-54. Exports amounted to 14,431 tons in 1954 and 11,610 tons in 1953, with the United States purchasing 8,669 tons and 7,374 tons, respectively, in those years. Pepper prices have declined sharply because of growing competition from other world producers.

TABLE 5

ACREAGE AND PRODUCTION OF PRINCIPAL CROPS, MADRAS MARKETING AREA, 1954

[For crop year ended June 30]

Crop		Acres (thousands) 1954	Production (in units indicated) 1954	Per cent of total Indian production 1954
Black pepper	1,000 long tons	206	22	99.5
Dry ginger	do	39	11	77.9
Groundnuts (peanuts)	do	3,775	1,631	45.6
Dry chillies	do	402	154	49.7
Sesame	do	803	96	18.0
Tea	million lb	127	128.5	20.0
Cotton	1,000 bales	1,917	440	11.2
Rice	1,000 long tons	12,629	5,870	21.6
Bajra	do	2,816	690	16.2
Maize	do	43	18	.6
Jowar	do	5,587	1,435	18.7
Ragi	do	n.a.	n.a.	..
Small millets	do	4,616	870	39.8
Tobacco	do	385	130	52.0

THE FOUR REGIONAL SMALL INDUSTRIES SERVICE INSTITUTES

By

JANG BIR SINGH,

(Chairman, Board of Directors, National Small Industries Corpn., Ltd.)

GREATER emphasis is likely to be placed on the development of small-scale industries in India's second Five-Year Plan, with a view to increasing production of consumer goods as well as employment opportunities. Anticipating this shift in emphasis the Ministry of Commerce and Industry in the Central Government took early steps to study and survey the conditions in the field of small-scale industry. An International Planning Team consisting of foreign experts was invited with the help of the Ford Foundation to come to India and report. It surveyed those areas of the country where small-scale industries were concentrated and studied their conditions, their defects and potentialities and submitted its report to the Government early in 1954. On the conclusions and recommendations of this report the Central Ministry of Commerce and Industry decided last year to set up a number of organisations to provide systematic and planned help to the growth and efficient performance of small-scale industries in the country.

Priority was given to the establishment of four Regional Small Industries Service Institutes for the Northern, Eastern, Western and Southern regions of the country. These were to act as service agencies and assist small industries in improving their technique of production and management; in obtaining credit and finance; in securing proper raw materials; in marketing their goods advantageously; and in promoting patterns of development calculated to make small industries function effectively in the production of both consumer goods and ancillaries and components required by large-scale industries. In the words of the Ford Foundation team the Institutes were to act as "service agencies to impart simply and quickly to the small industrialist for his immediate use, modern advances in science and technology, in business management, finance and marketing". To achieve this purpose, the Institutes were firstly to initiate and carry out investigations and surveys of existing methods as well as conduct experimental and applied research for promoting development of small industries. These investigations and researches would cover the broad technical field, improved tools, machinery, methods, raw materials, quality marking, marketing, credit finance etc. Secondly the Institutes were to disseminate such methods and results to the small industrialists and skilled workers in the field, through direct contacts, consultations, refresher courses, mobile demonstration units and travelling industrial extension workers.

Four Regional Institutes of the type envisaged by the Ford Foundation Team were established early this year at Delhi, Bombay, Calcutta and Madras. The Northern Regional Service Institute is ultimately to be located in Faridabad near Delhi and the Southern Institute at Madurai (about 300 miles south of Madras City). The Institutes are each under the control of an Indian Director, assisted by a number of well-qualified and experienced Foreign and Indian technicians. There is a branch unit of the Southern Regional Institute at Trivandrum. Other branch units are to be set up shortly at Agra and Hyderabad, and perhaps in some other places also. The overall direction and supervision of the Regional Institutes is under the Development Commissioner (Small-Scale Industries), in the Central Ministry of Commerce and Industry.

The Regional Service Institutes give technical advice to small-scale industries on (1) machines, tools and equipment; (2) improvements in technique; (3) utilisation of available raw materials; (4) the type of technicians required and training facilities both in the country and abroad; (5) quality control; and (6) ways and means to keep the cost of production within control. They provide business advisory service on (1) where a small unit can sell its products; (2) what products a small unit should manufacture in view of the supply and demand position in the market; (3) where to get raw materials of correct specifications; (4) management problems; and (5) how to get financial help. They also supply designs for tools and finished products to the small industrialists.

Some of the small industries assisted were those manufacturing chaff cutter blades, cycle parts, sewing machine parts, castings, shoes, umbrella ribs, wire nails, and those carrying out electroplating. Assistance was also rendered to State Governments on their various schemes for development of small-scale industries. For example, the Regional Institutes examined and offered suggestions regarding (1) schemes of Director of Industries, Jammu and Kashmir, for manufacture of glass, paper and paper pulp, marble tiles and surgical instruments; (2) scheme of the Director of Industries, Rajasthan, for the development of footwear industry; (3) schemes of the Director of Industries, Bombay for a model carpentry workshop and a model mechanical workshop; manufacture of bricks, roofing and floor tiles and terra-cotta-ware, stationery articles, umbrellas etc; (4) schemes for paddy husking, cotton and waste-silk spinning in refugee camps of West Bengal; (5) schemes for starting nine different small industries at Pondicherry; (6) schemes for starting five small industries in the Neyyattinkara-Vilavancode Pilot Project Areas in the Southern Region; (7) and a scheme for development of the shoe industry prepared by the Government of Madras.

The Institutes not only point out defects and shortcomings in the existing modes of manufacture employed by small-scale industries, they also demonstrate efficient and improved methods of manufacture through better machines and tools and modern techniques. For this purpose, each of the Institutes has set up modern workshops in blacksmithy and carpentry on mobile vans which tour round the region and demonstrate to the village artisans and others use of modern and improved machinery. Similar mobile workshops in other industries are also to be organised shortly. Hire-purchase of modern machinery through the National Small Industries Corporation is arranged by each of the Regional Institutes. Requests for such facilities from small-scale industrialists are screened by the Regional Institutes and forwarded to the National Small-Industries Corporation.

In view of the fact that small-scale industries experience difficulties in getting raw materials for their production, particularly scare categories of raw materials like iron and steel required by cycle parts and sewing-machine parts manufacturers, it is proposed to make use of the agency of the Regional Service Institutes for

a programme of the National Small Industries Corporation to stock and supply additional quotas of iron and steel to small units at selected centres. Small depots in the Institutes will shortly be opened to carry such stocks. As regards assisting small units to get Government contracts for supply of stores or sub-contracts of bulk orders secured by the National Small Industries Corporation, the Regional Institutes play their part in selecting capable units and guiding them in production to fulfil the sub-contracts.

Draft model schemes to set up small units have been drawn up for various industries by the Development Commissioner for Small-Scale Industries. The Regional Institutes have assisted in the drawing of these model schemes and also supplied copies of the same to interested private parties or State Governments seeking such guidance. Catalogues of modern equipment incorporating the latest improvements have also been collected, particularly by the Northern Institute. They relate to mechanical, electrical and chemical industries, ceramics, food products, wood working, and testing apparatus.

The Regional Institutes have started training courses for block level and project level industrial workers and officers employed by the Community Projects Administration. These courses consist of discussions and lectures on different aspects of setting up and running small industries and visits to small units in towns and villages. So far 25 trainees have completed such courses, and 60 are undergoing training.

The four Regional Institutes and their branches are only some months old and yet they have proved their potentiality for helping and guiding small-scale industries. Their usefulness will become more and more apparent in the future as experience is gathered and contacts are made with thousands of small units in each region. There are plans to house the Institutes in permanent buildings with workshops and laboratories attached. It is hoped that in a year or so, these plans will fructify. By then the activities of the Institutes are expected not only to increase in their range and effectiveness but also to fulfil, in a substantial measure, their aim of being an agency for service to small industries.



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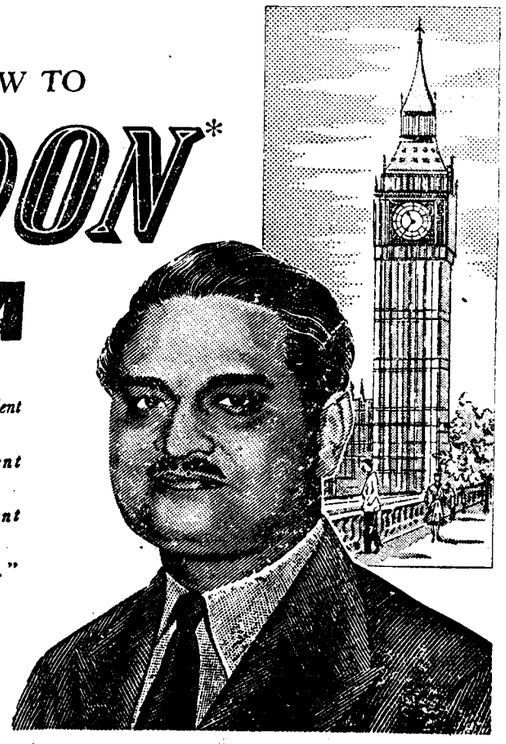


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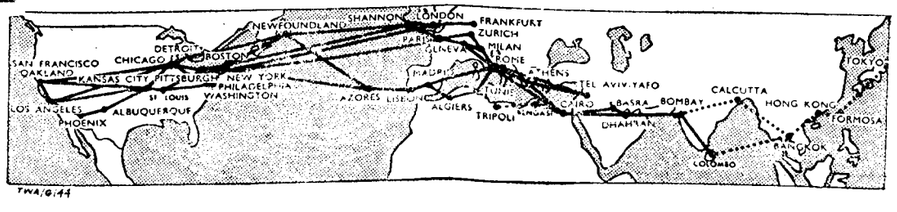
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The Business World

LIMITATION ON ELECTRICITY DIVIDEND

By

CROESUS

I FIND that I must again revert to the controversial Electricity Bill. This time, it is not due to any editorial on the subject in "The Eastern Economist". The provocation for reverting to this subject on this occasion has been provided by a letter which the Public Works Department, Bombay Government, has addressed to all electric licensees and sanction-holders in the State of Bombay pointing out to them that it is necessary for a licensee, so long as any sums in respect of any arrears of depreciation (those for the year of account or for any subsequent years of account) remain to be written off in the books of the licensee, to secure the consent of the State Government for payment of a dividend in excess of three per cent every year. In other words, according to the State Government's letter, it is necessary to secure the consent of Government to declare a dividend in excess of three per cent untill all arrears of depreciation are cleared off.

It is not clear how the Government of Bombay came to put such an interpretation on paragraph X of the Sixth Schedule in the Electricity (Supply) Act, 1948. However, it is significant that, in the letter addressed, the proviso "so long as any instalment due in respect of any arrears of depreciation", as found in the mandatory clause in the Sixth Schedule to the Act, is curtailed to only "so long as any sums in respect of any arrears of depreciation". Readers of this column may recollect that exception has been taken by the electricity industry precisely to this omission in the wording of the new clause of the Electricity Supply (Amendment) Bill, 1955 which has yet to become law. Apart, therefore, from the question of any interpretation of the law as it exists, the action of the Bombay Government does not seem to have any justification whatsoever. Normally, what we find is that a new law takes effect only from the date when it is duly and formally enacted; in exceptional cases, however, ordinances are known to be promulgated with retrospective effect, but it should be underlined that this is done only in extraordinary circumstances. Seldom has one come across any State Government actually putting into operation the provisions of a Central Government Bill still on the anvil of the legislative—i.e., a prospective law—as the Bombay Government has sought to do in the present instance.

Be that as it may, it is doubtful if the Bombay Government's view-that the consent of the State Government is necessary to declare dividends in excess of 3 per cent until all arrears of depreciation are cleared off—is at all tenable in terms of the Electricity (Supply) Act, 1948. For, there can be no question of any arrears or excess of depreciation before the Act came into force, by reason of the fact that the Act cannot have retrospective effect. In terms of clause vi(i) of the Sixth Schedule, the depreciation already written off prior to the coming into force of the Act alone is the sum which must be taken into account. The words employed in this clause, namely, "after taking into account the sums already written off or set aside in the books of the undertaking" are highly significant. The effect of the whole clause, therefore, is that, from the date the schedule is made applicable to an undertaking, that undertaking has to write off only such additional amount as will produce 90 per cent of the value of the assets at the end of their lives. It is immaterial whether any part of the amount written off prior to the coming into force of the Act is regarded as excessive or otherwise, inasmuch as it is intended to get his automatically adjusted by way of the equated instalments required to be set apart over the rest of the lives of the assets in question. What is obligatory on the part of electricity undertakings, as the law stands at present, is to write off by equal instalments such balance of depreciation as may be there during the rest of the prescribed period of the assets. This, in fact, is being done by almost all licensees and has been found to be extremely satisfactory in practice. It would be extremely imprudent, as also against public interest, therefore, to write off at one stroke whatever arrears of depreciation there may be. The result of any such action would only be to enhance the rates of electricity during the year in which such an extraordinary step is taken.

It was all along thought that the Government of Bombay would actually join with the electricity undertakings in prevailing upon the Union Government not to proceed with the proposal to limit the dividends to three per cent so long as any arrears of depreciation or previous losses remained to be written off. For, not very long ago, that is, in May 1954, it had itself taken the stand that "arrears of depreciation may be written off by equated payment over the remainder of the prescribed periods of the various assets...." In the circumstances, it is difficult to explain the present rather sudden 'volte-face' on the part of the Government of Bombay. While it remains to be seen how far the State Government will be able to enforce its latest view, I am afraid, sufficient damage has been done to equities in the electricity section of the share markets. On the local stock exchange, for instance, the effect of the Bombay Government's letter has been as follows:

Name of share	Quotation (Before Receipt of Letter by Electricity Companies)	Latest Quotation
Tata Hydro ..	Rs. 142-0	Rs. 137-0
Tata Power ..	„ 1407-8	„ 1396-4
Andhra Valley ..	„ 1372-8	„ 1350-0

WORKERS' PARTICIPATION IN INDUSTRY

By

CROESUS

A REALISTIC and practical view was taken at the All-India Conference of Labour and Welfare Officers, held in Nagpur last week-end, in the matter of participation of workers' representatives in the management and direction of industries. While the Conference generally accepted the principle of associating workers in the administration of industries at appropriate levels, it felt that the time was still not ripe for full participation and that the whole process had best be gradual. A notable contribution was made to the Conference by

Mr. M. R. Masani, who took part in the proceedings and read a paper on "Workers' Participation in Management". He drew attention to the experience of other countries in this behalf and pointed out how the advance to workers' participation in the fullest sense of the word was necessarily a long-term process and one which could only be realised as workers came to be specifically educated and trained for such participation. In other words, he too felt the time was not yet for full participation.

The unanimous decision, thus, of all those that participated in the Conference must not be construed as just an excuse to put off the question indefinitely and let it die in the process, as some unkindly critics from the labour ranks seem to have suggested. If this were so, the subject itself would not have been placed on the agenda, in the first place; secondly, there was no necessity for the Madhya Pradesh Minister, Mr. Dindayal Gupta, who presided over one of the sectional meetings, to wax eloquent over the question, nor for Mr. Masani to work out and outline an elaborate scheme, as he did, for workers' participation in management. Obviously an ardent supporter of the thesis, Mr. Gupta, expatiated at some length on the subject and explained what it all meant and the objectives underlying it. "The main objective behind the principle of workers' participation in industry", he observed, "should be to give everyone in the industry a sense of participation in its life, a means to identify himself with the work." Continuing, he said that participation of workers in industry implied labour-management to co-**operation at all levels.** In his paper, Mr. Masani gave actual details of how workers' participation ought to work. He suggested workers' association with management at four distinct levels, namely, (i) **department-wise**—through Works Committees, (ii) **plant-wise**—through Works Councils, (ii) **Company-wise**—through Councils of Management, and (iv) **nation-wise**—through the Joint Consultative Board of Industry and Labour. A significant feature of Mr. Masani's Councils of Management is that one-third of the members of such councils are to represent the shareholders, another third workers, and the rest managers, executives and technicians. This is perhaps the first time that the existence of shareholders as a distinct entity of the country's industrial structure has been recognised, and, in pleading for a place for them on the councils of management, Mr. Masani has not only laid all shareholders under a debt of gratitude to him but, at the same time, made these councils more broad-based than anyone has conceived so far. This at once ensures co-operation **at all levels** and co-operation **allround.** The advantages that would accrue thereby should be tremendous and lead, as Mr. Gupta declared, "to greater efficiency, higher rate of production and reduction in waste".

In their enthusiasm to secure participation, however, workers must not lose sight of one important factor, to which Mr. Masani alluded in his paper. After stressing the point that the basic idea on which workers' participation was founded was that of facilitating and increasing production for the general benefit of the enterprise, the workers and the national economy as a whole, he warned workers that, once they were represented in management, not only would their right to strike be questioned, but it would also become more difficult for them to press their claims in collective bargaining. The meaning of this warning is clear. It is that, after having demanded and secured the right to participate in management, it now behoves labour to display a better sense of understanding and responsibility than heretofore. To train and educate labour to do so is the responsibility, in their turn, of our labour leaders now.

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BUSINESS NOTES

LEGISLATION ON ELECTRICITY SUPPLY INDUSTRY

THE URGENCY of giving closer and more dispassionate thought to the changes, proposed to be introduced in the Electricity (Supply) Act, 1948, by the Amendment Bill, now pending before the Lok Sabha, should be clear from the fact that a reasonably flexible financial structure must be provided to this industry, if the target of additional investment of the order of Rs. 50 crores set for its private sector in the second Five-Year Plan is to be realised. Even apart from this overriding consideration, the present straits in which the industry has to function argue a strong case for a liberal financial structure.

There is still time for second thoughts on the scope of genuine relief to the industry as the Amendment Bill comes up before a Select Committee. Mr. K. G. Milne, Chairman of the Federation of Electricity Supply Undertakings of India, has chosen to confine his observations on the Bill, in the course of his presidential address at the last annual meeting, to general issues of policy, in view of the preparation of a detailed memorandum on the subject by the Federation. His brief discussion of the major issues, however, focuses attention on the drawbacks and inadequacy of the amending provisions. Mr. Milne welcomes the proposal to link the standard rate of return to the Reserve Bank Rate as a device to ensure automatic adjustability to the return. But his criticism of the scheme cannot fail to carry conviction. The differential proposed in the Bill, fixing the standard rate of return at a margin of 2 per cent above the Bank Rate, is by any test insufficient and must be raised to 2½ per cent at least to provide incentive to future investment in a competitive market. Linking of the rate of return with the Bank Rate carries the risk of the return being reduced to an uneconomic level in case the Bank Rate is lowered due to causes not directly connected with the fluctuations in the capital market. Mr. Milne urges, with sound reason, that a floor should be fixed for the rate of return at the present rate of 5 per cent. Actually a large number of undertakings are operating on a capital base which is almost equal to the paid-up capital and this marginal situation will be reached by others as soon as their expansion plans are fulfilled. The small increase in the standard rate proposed in the Bill is utterly inadequate to sustain the normal dividend for investors in this industry and will be ineffective to attract development capital.

A careful scrutiny of the provision for extending the benefit of the development rebate to the electricity supply industry would at once reveal the apparent nature of the relief in taxation proposed to be granted. The discrimination still continues in the sense that whereas other industries receive the benefit of the concession as a gift to be utilised as they consider fit, this industry is denied a similar right. Electricity undertakings will not be permitted to earn a reasonable return on assets financed by the reserve and they will be deprived of the facility of deriving real interest in the reserve immediately or in future. In addition, the assets created by the reserve are to pass without consideration on transfer of ownership of the undertaking by sale. In essence, State Governments who will be the effective owners on nationalisation will be the potential beneficiaries. The handicaps to which this industry has been subjected on account of the provisions governing income-tax depreciation in the past have not been removed, and even in the face of the Taxation Enquiry Commission's recommendation, upholding the case for permission to set up a deferred tax liability reserve, this concession has not been granted in the Bill.

COTTON OR YARN: WHICH SHOULD GET EXPORT PRIORITY?

SHOULD PRIORITY be given to the export of cotton yarn or of raw cotton? In the passage of arms between the concerned interests over this issue at the Export Advisory Council meeting last week, the relative merits of either course of action were brought out clearly. There was general agreement that an appreciable surplus of yarn would be left over, after fully metting the requirements of both the mill and the handloom industries in the country. In the case of raw cotton also, barring the Union Minister for Commerce and Industry, all seemed to agree that there was enough and to spare in the country to allow of export.

Although production has made substantial strides in both cotton and yarn, it was felt the export quota allocation so far has been niggardly in respect of yarn. Thus, as against an estimated available supply of 'free yarn' of the order of 565,000 bales for the first half-year of 1955, Government have parcelled out three types of quotas, General, 'ad hoc,' and special 'ad hoc,' aggregating only about 42,000 bales, that is, only just over 7 per cent of the total available supplies. Despite the claim made by the Chief Controller of Imports and Exports that a "net quantity of 120,000 bales per month is required to meet the present demand of yarn in the country", mills are finding themselves burdened with stocks, not to mention the accumulated stocks with the yarn merchants. In effect, the equilibrium between supply and demand is conspicuous by its absence. This is further evidence by the slump in the yarn market where prices have been steadily falling.

In order to restore a normal price level, it is essential that some outlet be found for the surplus yarn in the country. It is not suggested that this should be done ignoring the interests of the handloom industry. Even without impairing supply of yarn to the handloom industry, there is ample surplus of yarn awaiting to be exported. Incidentally, the Government's version that the handloom industry requires at least a 100,000 bales of yarn per month, it now seems, is somewhat of an exaggeration.

If account is also taken of the handicaps that the mills had to face before they could effect exports of even the meagre quota granted to them by the authorities, the need for at least doubling the present quota would become patent. The export quota for yarn, it may be noted, has always been linked with local deliveries which prevents many mills from making the fullest use of this 'liberal' export policy of the Government. The present procedure for export of cotton yarn of permitting purely spinning mills to export 50 per cent of the excess of actual deliveries in the previous quarter, above a fourth of the actual quantity delivered by them during 1954, is yet another hurdle in the way of increased exports of yarn. It is necessary not only to remove this lacuna, but export of yarn should be allowed through established shippers; otherwise, the accumulated stock position, which is already telling upon the working of the industry, may become further aggravated.

From an employment-potentialities angle, again, there would appear to be a stronger case for the export of yarn than even for export of cotton. For opportunities of employment are decidedly more if yarn is allowed to be exported; the incentive given in the shape of additional export quotas would be conducive to fuller employment of the present unutilised spinning capacity. By the same token, if there is need for augmentation of yarn supplies to the handlooms, such also could be effected.

COTTON SURPLUS PROBLEM IN INDIA?

THE UNION Minister for Commerce and Industry has thrown a wet blanket over the expectations of cotton interests in respect of the prospects of an imminent export quota for raw cotton. At the meeting of the Export Advisory Council (27th November, 1955) Mr T. T. Krishnamachari categorically asserted that the Government were not interested in developing this country's export trade in raw cotton. In support of this policy, the Minister contended that encouragement of export of raw cotton would mean playing into the hands of foreign interests who usually compete with Indian textiles in the overseas markets. In this connection, he sounded a note of warning and stated that "it has to be remembered that every hundred thousand bales of raw cotton that we export, takes away several million yards of the export possibilities for cotton textiles by placing in the hands of our competitors cheap cotton with which they can compete with us."

Holding the brief for the cotton interests, Mr J. P. Patel, Vice-President of the Cotton Buyers' Association, Bombay, urged a continuation of exports of raw cotton at least until the country's domestic consumption caught up with the production of cotton. Till that stage was reached, he did not think Government could do anything other than pay greater attention to customers abroad.

In view of the two divergent views on the question thus, it would perhaps be worthwhile to make a detailed study of the state of affairs in respect of the export of raw cotton from this country. At the outset, it must be remembered that the current season began with an estimated carryover of as much as 24 lakh bales. If there has been an increase in the quantum of exports of raw cotton from this country, a good portion of it has gone out of last year's quota which no one need worry about. In fact, as against the total cotton export quota granted in the current season of 4,05,000 bales, actual shipments so far have been only of the order of 40,000 bales. It is clear, therefore, that not all the cotton for which quota has been given has as yet left the shores of the country. Secondly, the argument that the increased export of raw cotton would be playing into the hands of the foreign importer does not altogether hold water. For, in actual practice, the importer of Indian cotton has invariably to leave a wide margin for the export duty and other expenses involved prior to the cotton actually reaching his hands. This knocks the bottom out of the oft-repeated suggestion that Indian cotton is substantially cheaper than comparable varieties of foreign cotton. That may have been so at one time, but the position has greatly changed since. True, Japan has been steadily expanding her offtake of Indian cotton, but is it known to the authorities that the percentage increase in her offtake of non-Indian varieties of cotton has been very much more than what it has been in respect of Indian cotton which clearly disproves the point that Indian cotton is such dud cheap as the Union Minister for Commerce and Industry would have us believe?

Again, when so much passion has been let loose on the question of the disposal of American surplus cotton, would we not lay the foundation for a miniature surplus problem in this country by not allowing further exports of cotton? As the spokesman of the Cotton Buyers' Association rightly pointed out, so long as the indigenous demand for Indian cotton does not catch up with the total available supplies of cotton within the country, some way has to be found for the disposal of the surplus cotton, especially if the idea of discouraging cultivation of cotton is out of the question. The Minister himself is of the view that the country has not yet reached a stage when the Government could have a policy of discouraging cultivation of more cotton. The only course open to us then, in the circumstances, is to cash in on the prevailing demand for cotton and export our cotton to the best of our ability, taking advantage of the surplus cotton available which is not required for internal consumption. The imminent prospect of America entering the world market in a big way to sell her cotton at competitive prices, especially in relation to Indian cotton as the American Press suggests, should serve not to go slow with, but to enhance our efforts to seek the quickest outlet for our raw cotton.

ARECA CULTURE

ARECANUT (or betelnut) hit the limelight when the Soviet Prime Minister Bulganin and the First Secretary of the Communist Party, N. Khrushchev chewed 'pan supari' at Ootacamund to discover that it suddenly turned their lips red. Happening as this did in the wake of the deliberations of the Indian Central Arecanut Committee, which met recently at Trivandrum to discuss how best to encourage arecanut cultivation, it has undoubtedly brightened the prospects for the betelnut industry, which provides employment for some 3,000,000 people.

The chewing of betelnut is peculiar to India and is certainly more ancient than the tobacco habit. India consumes annually about Rs. 30 crores worth of arecanut, so that although she is herself the largest producer of arecanut, she has yet to import a substantial portion of her requirements of arecanut from abroad. The total area under arecanut is estimated at 262,000 acres and production at about 100,000 tons. To encourage indigenous production, imports have been restricted to 45,000 tons annually since 1950. An additional protection has been afforded in the form of an import duty of 12 annas per pound.

There were times when arecanut imports were as high as 90,000 tons, and the loss by the partition has, in all probability, widened the shortage here. But, in spite of the stimulus provided by protection and high prices, it is doubtful whether there has been any marked increase in indigenous production during the last few years. The fact that, despite this, there has also been a diminution in imports is perhaps explained by the fall in consumption. From general trends, it would seem that the overall consumption of betelnut has been steadily falling. This was, of course, to be expected to some extent, with the advent of the new generation which cannot be said to have taken equally kindly to the chewing habit. Whereas chewing was verily an all-day affair in days gone by, there are many today who chew scented nuts perhaps once or twice a day or, in most cases, only on special occasions. Most of the consumers are the poor peasants in the countryside and it is unlikely that even they would encourage this habit among their children. If this should happen, it would spell the decline of a commercial crop which covers as much acreage as coffee in India.

From its inception in 1949, the Indian Central Arecanut Committee was faced with the task of increasing production so as to make the country self-sufficient. This Committee faces problems similar to those of the Coconut Committee, in that a large number of primary producers with petty, peasant holdings have to be induced to take up modern cultural methods and marketing. The unorganised nature of the arecanut industry greatly handicaps the effectiveness of the work of the Arecanut Committee. Besides, there is still considerable difficulty in obtaining basic data.

Apart from research for control of diseases and improvement of crop, there are a few other matters which cannot be overlooked. Raising an areca garden requires a fairly large investment, and any return from it can be expected only after eight or ten years. Unless the grower feels that his efforts will be amply rewarded, he may not venture to invest his slender resources on this crop for such a long period. In other words, it is a question of an economic return for the investment.

An allotment of Rs. 73 lakhs has been provisionally made in the second Five-Year Plan for arecanut research and development work. The establishment of regional arecanut research stations, the opening of a technological laboratory, and the organisation of cooperatives are among the measures being considered for implementation in the second Plan period. The Committee has also plans for the development of arecanut in the Andamans. In fact, the technical sub-committee of the Indian Central Arecanut Committee had made a survey of waste lands suited for arecanut cultivation some five months back, and its recommendations have already been communicated to the Governments of the important arecanut-growing States so as to enable them to draw up comprehensive schemes for bringing more area under arecanut and also to increase production in the existing areas. It remains to be seen if, as a result of all these, the end of the second Plan period will mark the beginning of increased production of, and self-sufficiency in, this edible nut.

REPLANTING SCHEME FOR RUBBER

THE REPLANTING scheme for rubber, approved recently by the reconstituted Rubber Board at its meeting at Ernakulam, is only a modest beginning in India's drive for achieving self-sufficiency in this strategic material. The scheme covers 70,000 acres spread over a period of ten years—7,000 acres to be planted each year. The cost involved has been estimated at Rs. 2.26 crores. This amount is to be distributed as subsidy among growers in yearly instalments of Rs. 400 per acre in the case of small growers and Rs. 300 per acre in the case of large growers. It is partly to meet the additional expenditure on this scheme that the rate of cess payable by producers of rubber has recently been raised from eight annas to Rs. 6-4 per 100 lbs.

As against the proposed scheme covering only 70,000 acres, roughly about 120,000 acres in all have to be replanted with high-yielding strains of rubber, as the trees in this area are already more than thirty years old. The sanctioned scheme, however, provides for the remaining 50,000 acres also to be planted, but only after a review of the conditions prevailing at the end of the ten-year period of the scheme. During the major part of this period, the overall production may go down a little, as the area availale for tapping will shrink with the cutting down of trees at the rate of 7,000 acres every year, and the yield from the trees that may come to maturity each year will not be sufficient to counterbalance this loss, as experience has shown that the progress of replanting and new planting since 1947 has been rather slow. But intensive tapping of the old trees that are to be cut down and application of yield stimulants can increase the overall production from them, while from 1962, when more replanted areas come under production, a steady and upward progress may be expected for a number of years.

The shortage of high-yielding plants due to the enormous demand now created by the increase in rubber prices proves that the two problems facing the industry are the price factor and the provision of good planting material. Approximately 40 per cent of the acreage is owned by small growers, whose output forms only 27 per cent of the total, thereby reducing the national average in yield. If these producers who depend on small areas can be helped to replant their estates with high-yielding strains, the total output will naturally increase. There is wide disparity between these small holdings, whose average production is only 231 lbs per acre, and the large estates, some of which produce as much as 1,000 lbs and over. This disparity can be reduced only by the use of high-yielding strains, which have so far been used only by 6 per cent of the small holdings.

It is plain that, with the materials available in India, we cannot aim higher than an average of 1000 lbs. per acre, whereas the other main rubber-producing countries like Malaya are planning to increase the average to 2,000 lbs. The new varieties developed in Malaya are not available in this country, nor are their exports to India permitted, probably because we have no high-yielding indigenous strains to give in exchange. Recently, the Rubber Research Institute of Malaya removed all restrictions on the sale of budwood of RRI 500 series clones in Malaya, British North Borneo, Sarawak and Brunei. The time is now opportune for the Government of India to take up the question of releasing at least the RRI 500 series to India under the provisions of the Colombo Plan or any other mutual agreement.

The gap between production and consumption of rubber is widening, and is likely to widen further with the rapid industrialisation of the country, and for meeting this growing demand, there is no other way but to increase the indigenous production. The two schemes now sanctioned by the Union Government, the Replanting Scheme and the Research Scheme, should give a good start in this direction, but, even more than research, the present imperative need is the import of clonal seeds.

SHIPPING AND THE PLAN

AFTER THE great debate on shipping in Parliament, the apologetic tone of the Union Transport Minister's speech at the fifth meeting of the Consultative Committee of shipowners in Bombay must have been rather disappointing—though not surprising—to shipping interests in the country. It is not clear, however, what reaction his consolation that "it may yet be possible for us to attain a total tonnage of one million G.R.T. before the second Plan period is over, has produced on them.

The Study Group of the Consultative Committee, it may be remembered, had recommended a net addition of 4,45,000 G.R.T. during the second Five-Year Plan period at an estimated cost of Rs. 80 crores, but the Planning Commission is now likely to revise it downwards to 300,000 G.R.T. at a cost of about Rs. 60 crores, of which the private sector is to provide Rs. 10 crores. Even the Study Group target itself was regarded as modest, considering that the Post-War Shipping Policy Sub-Committee had recommended, as early as in 1947, a fleet of as much as two million gross tons by the end of 1954. The present tonnage of Indian-owned shipping is only about 4,80,000 gross tons. Thus, even after making allowance for an additional tonnage of 20,000 tons in the next four months, there would still be a shortfall of about 1,00,000 gross tons under the first Plan, or of more than 45 per cent of the net additional tonnage as we had planned to acquire. A total tonnage of at least one million tons, it has been estimated, is necessary to enable India to carry 100 per cent of her coastal trade, 50 per cent of the adjacent trade and 20 per cent of the overseas trade. Thanks to reservation, 100 per cent of the coastal trade is even now being carried in Indian bottoms, but our shares in the adjacent and the overseas trades are only 40 per cent and 5 per cent, respectively.

Because our participation in overseas trade is so small, we are obliged to pay enormous freight charges

to foreign shipping companies for our imports and exports. Our dependence on non-Indian tonnage for the overseas carriage of our import and export trade lost us Rs. 95.9 crores of foreign exchange in 1951-52, Rs. 65.6 crores in 1953-54 and Rs. 70 crores in 1954-55. The main difficulty would appear to be that the overseas trading is controlled by foreign shipowners who, it is alleged, refuse to allow India a fair participation even in our foreign trade. Thus, even today, we are debarred from lifting cargoes from ports like Colombo, Aden, and Port Said to the U.K. ports and vice-versa. In the result, the operation of Indian ships on the routes concerned has become relatively uneconomic. Another example of discrimination mentioned by Indian shipping interests is the fact that the Eastern Shipping Corporation has not been enrolled even to this day as a member of the India-Japanese Conference.

A rather disquieting feature on the shipping front is the present shortage of tonnage even in the coastal trade. As a corollary to the Government's policy of coastal reservation, there is no doubt an obligation on the part of Indian shipowners to provide adequate owned tonnage to carry the coastal trade. But they do not appear to be able to do so. Thus, whereas the railways and the industry want 16 to 18 shiploads of coal every month to be transported from Calcutta, we are told, the shipping companies are able to provide no more than 12 to 13 ships. The employment of chartered tonnage to make up for the gap cannot be regarded very differently from the employment of foreign flag ships direct by their owners in the coastal trade; it indirectly amounts to the negation of the policy of coastal reservation itself. However, in the light of the prevailing shortage, it seems there is no alternative to permitting a limited number of chartered ships on the coast on certain specific conditions. But the ultimate objective, which should always be borne in mind, must be to operate on the coast only Indian-owned ships.

EMPIRE'S REASSURING PROGRESS

IT IS gratifying to note that the Empire of India Assurance Company has succeeded in a full measure in repairing the damage caused to the organisation by the developments of 1951 and putting its business and finances on a progressive path. Much of the credit for this rapid recovery in a short span must be conceded to the Administrator for the enlightend and firm policy he pursued in guiding the management. The actuary's report on the assets and liabilities of the company for the triennium ended December 31, 1954, bears testimony to the measure of progress registered. Only the salient facts need to be cited. Total business consisted of 1,37,164 policies assuring with additions of bonus a sum of Rs. 29.01 crores. The Life Fund as on December 31, 1954 stood at Rs. 10.63 crores as against the net liability under Life Assurance and Annuity Business of the order of Rs. 10.06 crores. It gives a valuation surplus of Rs. 56.86 lakhs. The mortality experience has improved substantially from 66.9 per cent for the five-year period ended December 31, 1951, to 47.6 per cent. The average rate of interest and expenses have likewise shown improvement.

FORWARD TRADING IN OILS AND OILSEEDS

The Government of India have accepted the recommendations made by the Commission with the modification that only some of the regulated markets recommended by the Commission need be established for the time being, the case for the rest being considered later in the light of actual experience. Government have decided accordingly that markets for forward trading in the commodities and at the centres mentioned below should be organised through the following Associations:

At Madras: The Madras Oils and Seeds Exchange Ltd., for groundnut and groundnut oil;

At Adoni: The Adoni Groundnut Seeds and Oil Merchants' Association Ltd., for Groundnut and Groundnut Oil;

At Delhi: The Om Exchange Ltd., for Groundnut Oil;

At Hyderabad: The Hyderabad Oil and Seeds Exchange Ltd., for Castorseed;

At Ahmedabad: The Ahmedabad Seed Merchants' Association for Castorseed and Cottonseed;

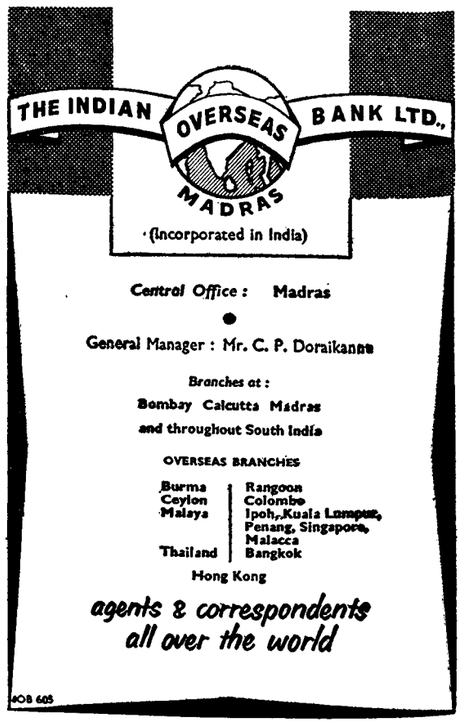
At Calcutta: The Calcutta Wheat and Seeds Association Ltd., for Linseed;

At Rajkot: The association, which is shortly being constituted at Rajkot by the different applicant associations from Saurashtra, for Groundnut and Groundnut Oil;

At Bombay: The Bombay Oilseeds Exchange Ltd., for Groundnut and Groundnut Oil, Castorseed, Cottonseed and Linseed.

The other recommendations of the Commission, accepted by Government, include: (1) The hedging facilities provided by the Bombay Oilseeds Exchange Ltd., should cover all varieties of castorseed, groundnut and cottonseed and the bold variety of linseed. The other associations should provide facilities only for the locally grown varieties of the oilseeds concerned.

(ii) The grant of recognition to all the associations should be conditional on their previously carrying out such modifications in their Article of Association, trading by-laws and working procedures as may be suggested to them by the Commission.



Letters to the Editor

EDUCATION TRUSTS

Sir,

In a recent number of "The Eastern Economist"' I read your interesting comments on the useful role that the Birla Education Trust has been playing in the service of the community. In a growing democracy like ours and especially in the context of our Five-Year Plans in operation and on hand, none can gainsay the need for more public-spirited trusts of the character of the Birla Education Trust.

In this connection I came across an item of news, which you too might have noticed, that a group of leading British industrialists is setting up a £1,500,000 trust to encourage school children to pursue a scientific career and to enable them to have the finest facilities available. The trust, which will be known as the Industrial Fund for the Advancement of Scientific Education in Schools, will give capital grants to improve, expand and modernise schools and their equipment. It is said that this is the first time that British industry has acted in a concerted manner and that the offer of the trust will benefit 164 schools—independent, public and grammar—in the U.K.

With the accent shifting pronouncedly from Agriculture to Industry in the draft frame of the second Five-Year Plan in India, it can safely be predicted that it will engender an unprecedented demand in the iron and steel, chemical, textile, electrical and engineering fields for highly qualified technicians and technologists. In the circumstance, our industrialists, both collectively and individually, would be contributing not a little to the effective implementation of the second Five-Year Plan by emulating the example of their contemporaries in the industrial life of Britain.

Yours faithfully,
S. VENKATRAMAN.

GWALIOR,
December 2, 1955.

ECONOMIC PROGRESS AND PROHIBITION

Sir,

After reading Mr. E. P. W. da Costa's interesting article in the "Manchester Guardian" of October 13, I feel that there is an additional decisive factor in the quick economic progress of India.

I am enclosing two maps* which will bear out my statement. Drink-caused inefficiency in this country is estimated at 13 per cent, land wasted by growing barley and crops for breweries, etc, about 2,000,000 acres, coal used in breweries, nearly, 1,000,000 tons annually, and so on.

Hence the changeover in India and Pakistan from drinking to Prohibition is having a marked effect in employment, production, and output.

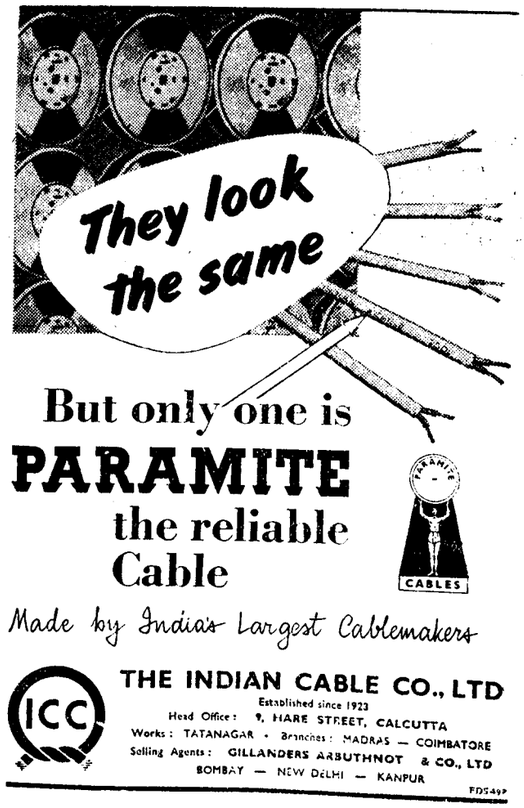
With thanks for your stimulating article, and every good wish, I am,

Yours faithfully,
E. HOLMES BUTT,
Hon. Pres: The National British Women's Total Abstinence Union,
King's Square Branch.

[Mr. da Costa makes no claim that Prohibition has assisted India's economic progress. He thinks otherwise, not without feeling.—Ed.]

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COMPANY AFFAIRS

GRASIM SHARES IN DEMAND

Recently there has been an increase in the share capital of the Gwalior Rayon Silk Manufacturing (Weaving) Co., Ltd. With this increase, the total ordinary share capital stands now at Rs. 250 lakhs divided into 25 lakh ordinary shares of Rs. 10 each. There are besides 150,000 six per cent cumulative prference shares of Rs. 100 each. This Rs. 4-crore Company has a Weaving Division consisting of 268 looms which started production in August, 1950 and a Staple Fibre Factory which started production in February, 1954. The former has been allowed a second five-year term of exemption from income-tax, while the latter, which has also applied for income-tax exemption, may be expected to get it in due course. (The matter is presently under correspondence).

The present production capacity of the Staple Fibre Factory is 18 tons a day, but the Company has decided to double it to 36 tons and has already placed orders for additional plant. The new plant is expected to go into production in the middle of 1956.

According to last year's balance sheet, the sales of the Company's Weaving Division were about Rs. 46.5 lakhs and those of the Staple Fibre Division over Rs. 121.4 lakhs. It is believed in informed circles that the sales for 1955 of the Staple Fibre Division alone would reach, if not cross, the Rs. 2-crore mark. Since the Company wiped off its debit balance last year and has to the credit of its profit and loss account a sum of Rs. 5.49 lakhs, it is possible that its current year's profits would enable the management to pay off both the arrears of the preference dividend up to the end of 1954 (of Rs. 29 lakhs) and that for the current year (of Rs. 9 lakhs) and at least pave the way for payment, if not pay, a maiden dividend on the ordinary shares as well. This promising outlook is doubtless being reflected in the demand for the equity shares of the Company, the prices of which have spurted from slightly above par to Rs. 13 per share.

KOTHARI TEXTILES, LTD.

The Audited Balance Sheet and Profit and Loss Account of the Company for the year 1954-54, show that the result of its working for the period under review is a profit of Rs. 17,75,924
Add amount brought forward from last year „ 20,004

TOTAL Rs. 17,95,928

Deduct appropriation to Depreciation	Rs. 14,50,000	
Amount placed to General Reserve	„ 4,546	„ 14,54,546
Leaving a balance of		„ 3,41,382

The Directors recommend appropriating the above balance as under:

To pay a dividend at 6 per cent per annum on the preference shares for the year ended June 30, 1955, amounting to	„ 72,000
To pay a dividend at 10 per cent per annum on the Ordinary Shares for the year ended June 30, 1955	„ 2,40,000
Leaving a balance of	„ 29,382
To be carried over to next year	Rs. 3,41,382

The present equipment of the mill comprises 300 automatic looms and 43,000 spindles and doubling spindles. As the preparatory machinery relating to the last instalment of spindles and looms is arriving now at the mills, the 12,000 spindles and 100 automatic looms, sanctioned by the Government last year, have not yet been worked. The Government of India have given the Company permission to instal a further 24,000 spindles. When this further extension is completed, the mills will consist of 65,040 spindles, 1960 doubling spindles and 300 automatic looms.

It is proposed to contribute a sum of Rs. 1 lakh from the profits of the Company to a Charitable Trust, called the C. M. Kothari Charitable Trust.

BRITISH INDIA ELECTRIC CONSTRUCTION CO., LTD.

The Audited Accounts of the Company for the half-year ended June 30, 1955, show that, after providing for depreciation, the profit for the half-year was Rs. 69,773. After deducting this from the balance brought forward of Rs. 6,68,487, there remains a balance of Rs. 6,18,709 at the debit of Profit and Loss Account, which it is proposed to carry forward.

There was improvement in the overall working of the Company for the period under review. As the order book shows an improvement in all sections of the Works, it is hoped that this will be maintained.

THE CHAMPION REEF GOLD MINES OF INDIA, LIMITED.

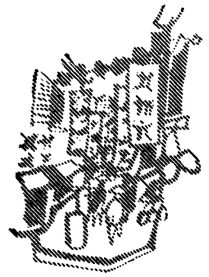
A dividend of 4½ per cent, free of Indian Income Tax, has been declared by the Champion Reef Gold Mines of India (KGF), Limited, for the year ended December 31, 1954.

Accounts:

	£	£
Unappropriated balance at December 31, 1953, brought forward		2,347
Dividend receivable from Subsidiary Company	14,600	
Interest on British Government Security	3,722	
Other receipts	309	
Over-provision for Taxation in previous year	25	18,656
		21,003
Deduct:		
Salaries, Fees and Office Expenses amounting to	2,859	
Provision for Taxation	4,552	7,411
Leaving an amount available for dividend		£ 13,592

A first and final dividend for the year under report at the rate of 4 per cent, was declared on September 29, 1955, payable on November 4, 1955. This absorbs £13,000, leaving a balance to be carried forward of £592.

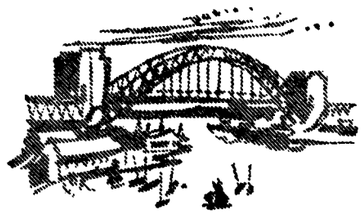
Delhi



to



Hongkong Singapore



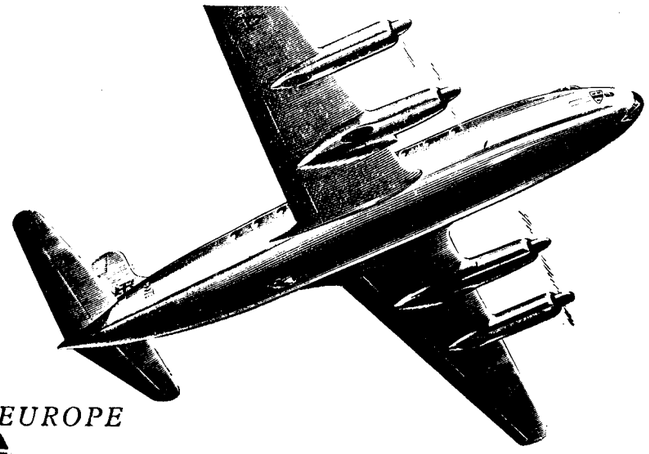
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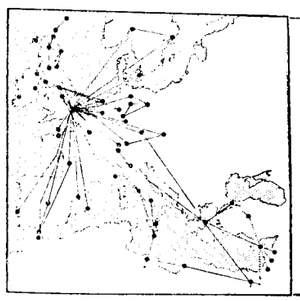
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COMMODITY NEWS AND NOTES

IMPORTS OF FOREIGN COTTON

A study of the available figures of imports of foreign cotton into India during the current season (from September 1 to November 19), reveals two significant features. In the first place, the total imports for the period under review show a considerable fall from those that were recorded in the corresponding period, which is a clear indication that this country is becoming more and more self-sufficient in her cotton requirements. Secondly, there has been a steep fall in the quantum of the import of East African cotton, as against a sharp increase in that of Sudan cotton.

These changes stem, in a great measure, from the uncertainty about Government's policy regarding dollar aid cotton which is still in cold storage. The import of dollar area cotton at only 2,436 bales as against 22,063 bales in the first two months of the last season indicates the extent of reduction in the import of U.S. cotton. As the gift-cotton scheme involves a linking up of the East African cotton at the ratio of 3 : 1 (according to the tentative proposal) the import of the latter also has suffered a sharp setback from 47,042 bales for the first two months of the 1954 season to only 23,498 bales for the corresponding period this season. With the limitation on these two varieties of cotton thus, it is but natural that there should have been an increase in the import of Sudan cotton from 5,817 bales to 28,850 bales. In the case of Egyptian cotton also, there has been an increase from 23,819 bales to 28,850 bales. Egyptian short-staple cotton, it may be noted, is needed for the production of fine and superfine cloth. Had it not been for some restriction on the import of certain varieties of Egyptian cotton, this figure would have been even higher. The limitation that obtains currently on the import of Egyptian cotton, by the way, is likely to result in the curtailment of production of superfine goods, with the consequent prospects of an appreciation in the values of superfine cloth.

FINAL ESTIMATE OF POTATOES

The all-India final estimate of potatoes for 1954-55 puts that year's area and production at 665,000 acres and 1,762,000 tons, as against the partially revised estimate of 635,000 acres and 1,924,000 tons for 1953-54. This shows an increase of 30,000 acres or 4.7 per cent, in area and a decrease of 162,000 tons or 8.4 per cent in production over 1953-54.

The increase in area has been shared by all the States except Madras, Mysore and Himachal Pradesh and has been attributed to favourable climatic conditions at the sowing time. Despite increase in area, production has recorded considerable decline. The decline in production has been mostly accounted for by decreases recorded in Bihar and West Bengal due to unfavourable weather conditions during the growing period of the crops.

OUTPUT OF IRON ORE

The total output of iron-ore in India increased from 272,393 tons in August 1955 to 292,831 tons in September, 1955, according to statistics released by the Chief Inspector of Mines in India. Returns received from 76 mines for the month of September 1955 show despatches totalling 241,252 tons to the iron and steel plants and 84,755 tons to the export market. The reported stocks as at the end of the month amounted to 1,109,618 tons.

ARTIFICIAL FIBRES

According to the latest review of industrial fibres presented by the Commonwealth Economic Committee, new artificial fibres, besides rayon, are fast growing in output and widening in range. From about 212 million lb. in 1951 the world output has increased to 403 million lb. in 1954 and by 1956 the figure is expected to reach 810 million lb. The U.S.A. accounts for over two-thirds of world's production, and nylon accounted for over 50 per cent of her output last year. Next year it is estimated, the output of the U.S.A. would be 320 million lb. in nylon, as against 175 million lb. last year. Besides nylon, there are now about dozen other varieties of man-made fibres which have appeared in the textile markets of the world. All the main producers of these fibres have ambitious expansion programmes.

SUGAR POLICY FOR 1955-56 SEASON

As in the past three years, the Government of India have decided not to exercise any statutory control on the price or distribution of sugar, gur and Khandsari during the 1955-56 season, says a Food and Agriculture Ministry Press note. But 25 per cent of the sugar produced would be kept in reserve with factories from which, if need arises, the Government would requisition sugar at fair ex-factory price to be fixed for controlled distribution. Releases of sugar from factories will also be regulated by the Government as in the past. The price of sugarcane for the 1956-57 season will be announced shortly. The price fixed for the 1955-56 season, which was announced in November last, is Rs. 1-7 per maund for gate deliveries and Rs. 1-5 per maund for deliveries at rail-centres. The question of linking the price of sugarcane with the price of sugar for seasons subsequent to 1953-54 is already under reference to an expert committee whose report is expected shortly. In view of larger indigenous production in 1954-55 and good prospects of production in the current season, it is not proposed to purchase any more sugar for import from abroad. The present policy of free licensing of gur for export is to be continued.

RISING RUBBER CONSUMPTION

In a talk before the American Petroleum Institute, Mr. E. J. Thomas, President of the Good Year Tyre and Rubber Company stated that rising world consumption of rubber would have to be met by an increased volume of synthetic rubber. He said world rubber consumption this year will be just short of three million tons, made up of approximately two million tons of natural and one million synthetic. The world is using all the natural rubber that can be produced as well as the synthetic under these right conditions, the price of natural rubber has soared away beyond the cost of production. Thomas said he believed world rubber consumption will rise to around four million tons annually within ten years and expects the additional supply will come from synthetic rubber plants.

MILK SUBSTITUTE FROM GROUNDNUT

According to a process recently developed at the Central Food Technological Research Institute, Mysore, it is now possible to prepare a milk substitute from groundnut which can be fortified with calcium to high levels (100 mg. per 100 cc.). The calcium salts are added in a colloidal form and as such the product is stable to prolonged heating. When given as a supplement to rice diet, it improves growth rate. Compared to reconstituted whole milk, it is about 80 per cent as good in its overall supplementary effect. Since the calcium in the fortified groundnut milk substitute is in a readily available form, it offers a practical possibility of fortifying Indian diets which are generally deficient in calcium.

Actuary's Report

EMPIRE OF INDIA LIFE ASSURANCE CO., LTD.

Actuary's Report Shows All-Round Progress

The Actuary's Report on the Valuation of the Assets and Liabilities of the Empire of India Life Assurance Co., Ltd., Bombay, as at 31st December, 1954, reveals a strong financial position and an all round improvement since the last Valuation as on 31st December, 1951.

The total business valued consisted of 1,37,164 policies assuring with bonus additions a sum of Rs. 29,01,57,205. The total Life Fund as on 31-12-1954 is Rs. 10,63,33,889 as against the net liability under Life Assurance and Annuity Business amounting to Rs. 10,06,47,674. This has resulted in a Valuation surplus of Rs. 56,86,215.

The mortality experience of the Company during the last three years has also shown a considerable improvement being 47.6 per cent as against 66.9 per cent for the quinquennium ended 31-12-1951, while the average rate of interest yielded by the assets constituting the Life Insurance Fund for the triennium has been over 3.3 per cent. The expenses have been kept rigidly under control and the 1954 figures are far below those of 1952 or 1953.

The Funds of the Company are all invested in Redeemable Government Securities, Redeemable Debentures, Real Property and Mortgages. After the Administrator took over charge, the investments have all been made in Government Securities or Municipal Loans to the tune of Rs. 2,40,37,600.

VALUATION BASIS: The present Valuation has been done on 2.½ per cent interest basis and Oriental's (1925-35) Ultimate Mortality Table. Provision for future expenses and profits has been kept at 25.36 per cent of the future premiums in the case of policies with immediate participation in profits and 17.10 per cent in the case of policies without participation in profits.

RESULTS OF THE VALUATION: The Valuation surplus of Rs. 56,86,215 increased by Rs. 1,78,942 the interim bonus paid and Rs. 23,16,805 the income-tax deducted at source during 1952-54 gives a profit for the triennium of Rs. 81,81,962. After making a provision of Rs. 18,27,070 for the payment of Income-tax and excluding Rs. 1,78,942 paid as interim bonus, the balance has enabled the Company to distribute Rs. 57,12,754 as reversionary bonus to the With Profit policyholders whose policies were in force for the full sum assured on 31-12-1954 at the rate of Rs. 18 per thousand per annum on Whole Life Policies and Rs. 15 per thousand per annum on Endowment Assurance Policies. The shareholders share of the surplus comes to Rs. 4,63,196.

After the unfortunate events of 1951 which disrupted the entire organisation of the Company, it is indeed a notable achievement that during these 3 years the Company has consolidated its position and is set on the road to further progress.

The results of the Valuation as compared to those of 1951 Valuation are indeed very encouraging and speak volumes for the successful management of "EMPIRE" under the guidance of the Administrator.

THE FORT WILLIAM JUTE CO., LTD.

NOTICE

THE Half-yearly Ordinary General Meeting of the Shareholders will be held at the Registered Office of the Company, No. 14, Netaji Subhas Road, Calcutta, on Monday, the 26th December, 1955, at 3-30 P.M. for the following purposes.

(1) To receive and adopt the Directors' Report and the Audited Accounts for the half-year ended 30th September, 1955

(2) To declare Dividends.

(3) To transact any other ordinary business of the Company.

The Share Transfer Books of the Company will be closed from 12th December to 26th December, 1955, both days inclusive.

By Order of the Board,
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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
February 1955 ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ,, c ..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October ,, c ..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
Week Ending										
15-10-1955 ..	319.4	408.2	330.0	370.2	559.0	358.8	91.0	100.7	87.2	124.1
22-10-1955 ..	320.1*	409.2*	332.2	370.9	559.4	360.3	91.0	100.8	87.0	125.4
29-10-1955 ..	322.8	409.7*	332.2	371.1	557.8	360.9*	91.0	100.7	87.2	127.0
5-11-1955 ..	330.6	417.9	335.2	372.7	546.8	365.9	91.0	100.8	87.5	128.0
12-11-1955 ..	329.7*	414.4	337.4	372.9	541.3	365.1*	91.0	101.0	87.5	129.0
19-11-1955 ..	320.7	419.4	338.4	373.6	542.4	363.2	91.0	101.1	87.9	130.8

c Average of weeks. *Revised

†Economic Adviser's Series. ††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1954 November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	133
August	325	341	229	134	329	375	—	137	318	136	138	134
September	317	333	224	133	327	373	—	—	322	—	—	—
October	315	331	225	134	—	—	—	—	323	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	3-12-1955			26-11-1955			19-11-1955			12-11-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	98- 8	93- 8	95-15	98- 9	97- 2	97-13	97- 0	95-11	96- 6	96- 2	95- 2	95- 8
Silver (per 100 fine tolas)	176-10	172-10	174- 1	175-14	172- 5	174-14	171-12	171- 5	170- 4	171- 7	168-11	170- 3

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
March 1955	1,275,26	12,32	1,287,58	40,02	660,41	700,40	54.41	101,74	485,44	1,287,58
April ,,	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August ,,	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
September ,,	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October ,,	1,303,25	10,97	1,315,39	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
Week Ending										
28-10-1955	1,305,86	16,00	1,321,87	40,02	627,10	667,11	50.47	111,15	543,60	1,321,87
4-11-1955	1,317,54	12,98	1,330,52	40,02	627,10	667,11	50.14	109,86	553,54	1,330,52
11-11-1955	1,332,24	12,54	1,344,78	40,02	647,07	687,08	50.09	109,09	548,61	1,344,78
18-11-1955	1,334,68	9,90	1,344,57	40,02	647,07	687,08	50.10	108,88	548,61	1,344,57
25-11-1955	1,323,76	21,64	1,345,40	40,02	647,07	687,08	50.07	109,70	548,61	1,345,40

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
March 1955	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,9	17,90	48,89	22,98	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August ,,	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September ,,	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	51,57	1,02	28,64	52,13	11,65
October ,,	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	82,93	76	20,52	50,24	12,17
Week Ending														
28-10-1955	49,33	30,23	57,71	15,79	153,07	27,82	190,89	16,13	7,15	85,27†	2	19,57	50,33	12,42
4-11-1955	54,69	18,84	59,05	15,46	148,04	27,55	185,60	13,07	5,77	81,93†	1,04	21,12	50,26	12,41
11-11-1955	56 83	14 25	53,58	15,27	139,94	29,61	179,55	12,68	8,37	66,28†	2,84	26,98	50,08	12,32
18-11-1955	53,07	13,72	57,55	15,61	139,34	31,60	181,55	10,05	9,56	70,86†	3,11	25,89	49,97	12,11
25-11-1955	55,13	12,43	63,90	15,48	146,94	30,07	187,91	21,79	5,77	72,63†	1,89	22,67	50,05	12,20

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SURVEY OF INDIA'S FOREIGN LIABILITIES AND ASSETS AS ON 31ST DECEMBER, 1953.

STATEMENT NO. 5.

CENTRAL GOVERNMENT, STATE GOVERNMENT, MUNICIPAL AND PORT AND IMPROVEMENT TRUST SECURITIES OWNED ABROAD

(In thousands of rupees)

Country	Central Government Securities				State Government Securities	Municipal Securities	Port and Improvement Trust Securities	Grand Total
	Non-Interest Bearing Non-Negotiable	Enfaced for Payment Abroad	Held as Nominees, Agents or Custodians	Total				
Australia	..	..	10,44	10,44	..	2	..	10,46
Burma	..	..	1,00,44	1,00,44	40	..	49	1,01,33
Canada	..	..	18,95	18,95	..	30	20	19,45
Ceylon	..	..	2,37,64	2,37,64	33	..	..	2,37,97
Japan	..	..	80	80	..	..	..	80
Malaya	..	..	20,15	20,15	..	..	..	20,15
New Zealand	..	..	12,77	12,77	..	..	..	12,77
Pakistan	..	28,34,67	67,80	29,02,47	11,37	51	1,85	29,16,20
Switzerland	..	..	11,49	11,49	..	51	2,69	14,68
United Kingdom	..	26,01	3,44,79	3,70,80	2,47	2,90	20,64	3,96,81
United States	..	..	78,10	78,10	5	..	..	78,15
International Monetary Fund and International Bank for Reconstruction and Development	**212,60,20**	..	..	**212,60,20**	..	..	..	**212,60,20**
Other Countries	..	..	3,13,06	3,13,06	5,00	5,54	14,97	3,38,57
TOTAL	212,60,20	28,60,68	12,16,43	253,37,31	19,62	9,77	40,84	254,07,54

STATEMENT NO. 6

LOANS AND ADVANCES PAYABLE ABROAD BY INDIAN JOINT STOCK COMPANIES (TRADE-WISE)

(In thousands of rupees)

	TRADE						
	Manufacturing	Trading	Transport	Mining	Financial	Miscellaneous	Total
Subsidiary Companies:							
Inter Company Advances	8,34,69	12,26	..	6,00	..	51,92	9,04,87
Other Loans and Adavnces	1,52,55	6,02	..	..	..	1,78	1,60,35
TOTAL	9,87,24	18,28	..	6,00	..	53,70	10,65,22
Other Controlled Companies:							
Inter Company Advances	..	66,93	..	..	..	3,47	70,40
Other Loans and Advances	34,57	1,56	..	..	18	3,52	39,83
TOTAL	34,57	68,49	..	..	18	6,99	1,10,23
Total:							
Inter Company Advances	8,34,69	79,19	..	6,00	..	55,39	9,75,27
Other Loans and Advances	1,87,12	7,58	..	..	18	5,30	2,00,18
TOTAL	10,21,81	86,77	..	6,00	18	60,69	11,75,45
Portfolio Companies:							
Inter Company Advances	4,26	5,38	..	..	6,47	..	16,11
Other Loans and Advances	1,03,39	15,06	3,18	38	20	2,42	1,24,63
TOTAL	1,07,65	20,44	3,18	38	6,67	2,42	1,40,74
Grand Total:							
Inter Company Advances	8,38,95	84,57	..	6,00	6,47	55,39	9,91,38
Other Loans and Advances	2,90,51	22,64	3,18	38	38	7,72	3,24,81
TOTAL	11,29,46	1,07,21	3,18	6,36	6,85	63,11	13,16,19

STATEMENT NO. 7

PARTICULARS OF FOREIGN LIABILITIES OF INDIAN INSURANCE COMPANIES

(In thousands of Rupees)

Country	CONTROLLED		PORTFOLIO*		LIFE			TOTAL
	Ordinary Shares Non-life (Equity Value)	Ordinary Shares Life (Equity Value)	Shares Non-life (Equity Value)	Preference Shares Non-life	Deferred Shares Non-life	Total	Cash Surrender Value of Life Insurance	Present Worth of Annuities	
Australia	..	1	2	..	..	3	1,55	1,35	2,90
Burma	..	29	1	..	..	30	1,12,58	38	1,12,96
Canada	..	..	2	2	..	4	3	..	3
Ceylon	..	61	80	..	..	1,41	3,99,95	2	3,99,97
Germany	..	..	..	..	..	..	1	..	1
Japan	..	..	..	..	..	..	2	..	2
Malaya	..	12	8	..	..	20	2,68,56	6	2,68,62
New Zealand	..	..	3	..	..	3	48	29	77
Pakistan	..	6,98	1,22	10	3	8,33	5,21,58	1,04	5,22,62
Switzerland	..	2	..	..	..	2	2	..	2
United Kingdom	31,12	1,05	14,34	1	..	46,52	22,03	17,76	39,79
United States	..	2	29	..	..	31	54	29	83
Other Countries	..	6,37	4,30	1	..	10,68	4,98,71	1,22	4,99,93
TOTAL	31,12	15,47	21,11	14	3	67,87	18,26,06	22,41	18,48,47

STATEMENT NO. 7 (Contd.)

PARTICULARS OF FOREIGN LIABILITIES OF INDIAN INSURANCE COMPANIES

NON-LIFE

(In thousand of Rupees)

Country	Fire	Marine	Others	Total	Other Liabilities	Grand Total
Australia ..	1,91	37	..	2,28	..	5,21
Burma ..	5,93	1,18	3,42	10,53	..	1,23,79
Canada ..	76	1	2,59	3,36	..	3,43
Ceylon ..	2,77	1,38	5,01	9,16	..	4,10,54
Germany ..	..	..	..	..	..	1
Japan ..	2	87	..	89	..	91
Malaya ..	1,19	3,42	1,29	5,90	..	2,74,72
New Zealand ..	..	..	..	..	..	80
Pakistan ..	16,04	7,61	3,53	27,18	..	5,58,13
Switzerland ..	3,09	6	..	3,15	6,47	9,66
United Kingdom ..	29,79	37,48	83	68,10	..	1,54,41
United States ..	17	2	..	19	..	1,33
Other Countries ..	26,22	27,16	31,07	84,45	..	5,95,06
TOTAL ..	87,89	79,56	47,74	2,15,19	6,47	21,38,00

* As reported by the insurance companies as owned abroad according to their books.

STATEMENT NO. 8

TOTAL VALUE OF ORDINARY, DEFERRED AND PREFERENCE SHARES AND DEBENTURES OF INDIAN JOINT STOCK COMPANIES

(INCLUDING COMMERCIAL BANKS AND INSURANCE COMPANIES)

OWNED ABROAD (PORTFOLIO) CLASSIFED ACCORDING TO TYPE OF BUSSINESS

(In thousands of rupees)

Trade	Ordinary Shares	Deferred Shares	Preference Shares	Debentures	Total
Manufacturing					
Jute and Coir Goods	1,33,35	..	49,51	1,39	1,84,25
Cotton Goods	4,46,71	3,13	17,16	1	4,67,01
Woollen Goods (including Silk and Rayon)	17,93	..	58	..	18,51
Cement	47,22	9	1,02	..	48,33
Stationery and Office Fixtures	24,16	..	51,25	1,86	77,27
Plywood and Plywood Cases	87	..	..	..	87
Printing and Publishing	2,16	..	..	..	2,16
Printing Inks	78	..	10	..	88
Food Products	18,11	..	3,95	5,00	27,06
Sugar	66,04	..	17,26	5,00	88,30
Cigarettes and Tobacco	19,50	..	5,74	..	25,24
Heavy Chemicals	20,65	..	2,73	..	23,38
Light Chemicals	17,55	..	92	..	18.47
Matches	3,42	..	8	..	3,50
Medicines and Pharmaceuticals	6.19	1,00	21,60	..	28,79
Paints and Varnishes	61	1	71	27,77	29,10
Soap	2,18	..	5,35	..	7,53
Rubber Goods	14,78	..	13,48	1,06	29,32
Iron and Steel Products	1,18,82	16	38,20	1,26,36	2,83,54
Machinery and Machine Tools	96,65	..	9,57	3,80	1,10,02
Railway Equipment and Stores	2,23	..	1,02	..	3,25
Automobiles and Accessories	52,91	40	30	..	53,61
Building and Building Materials	14,93	..	3,80	15	18,88
Ship Building	18,02	..	..	..	18,02
Electrical Goods	45,12	3	12,72	..	57,87
Engineering—Steam and Hydraulic	42	..	40	93	1,75
Engineering—Mechanical	3,84	..	11	..	3,95
Motion Pictures	53	..	..	..	53
Others	99,19	4	3,23	..	1,02,46
TOTAL	12,94,87	4,86	2,60,79	1,73,33	17,33,85

STATEMENT NO. 8 (Contd.)

TOTAL VALUE OF ORDINARY, DEFERRED AN D PREFERENCE SHARES AND DEBENTURES OF INDIAN JOINT STOCK COMPANIES

(INCLUDING COMMERCIAL BANKS AND INSURANCE COMPANIES)

OWNED ABROAD (PORTFOLIO) CLASSIFIED ACCORDING

OWNED ABROAD (PORTFOLIO) CLASSIFED ACCORDING TO TYPE OF BUSSINESS

(In thousands of rupees)

Trade	Ordinary Shares	Deferred Shares	Preference Shares	Debentures	Total
Trading					
Jute and Coir Goods	12,90	..	35	..	13,25
Cotton Goods	14,80	..	66	..	15,46
Woollen Goods (including Silk and Rayon)	25	..	..	..	25
Stationery and Office Fixtures	14	..	2	..	16
Heavy Chemicals	2,17	..	..	..	2,17
Light Chemicals	2,01	..	..	..	2,01
Mineral Oils and Products	11,30	..	2,84	..	14,14
Motion Pictures	19	..	..	..	19
Medicines and Pharmaceuticals	5,86	..	..	..	5,86
Iron and Steel Products	2	..	..	..	2
Machinery and Machine Tools	19,56	20	59	20	20,55
Automobiles and Accessories	23,47	..	..	..	23,47
Electrical Goods	1,45	..	..	..	1,45
Exporters and Importers	14,43	14	45,10	..	59,67
Plywood and Plywood Cases	66	..	..	..	66
Watches and Clocks	5	..	..	..	5
Building and Building Materials	..	..	6	..	6
Others	18,01	..	6,56	..	24,57
TOTAL	1,27,27	34	56,18	20	1,83,99
Utilities	77,83	..	5,22	35,82	1,18,87
Transport	1,17,00	..	1,74	20,69	1,39,43
Mining					
Coal	88,96	..	2,01	1	90,98
Gold	..	..	16,00	..	16,00
Others Minerals	14,74	1	1	..	14,76
TOTAL	1,03,70	1	18,02	1	1,21,74
Financial					
Banking	1,98,25	..	2,08	..	2,00,33
Life Insurance	15,47	..	..	..	15,47
Non-Life Insurance	21,11	3	14	..	21,28
Investment	1,93,78	1,21	16,08	..	2,16,07
Holding Companies	69,93	..	15,97	25,80	1,11,70
Others	37	..	..	..	37
TOTAL	5,03,91	1,24	34,27	25,80	5,65,22
Plantations					
Tea	3,94,94	..	11,40	37	4,06,71
Others	39,04	..	6,76	72	46,52
TOTAL	4,33,98	..	18,16	1,09	4,53,23
Miscellaneous					
Managing Agency	2,93,08	10,00	1,28,36	21,35	4,52,79
Professions and Services	70	..	..	..	70
Travel-Steamship Agents	23	..	..	..	23
Others	59,40	..	21,92	2,60	83,92
TOTAL	3,53,41	10,00	1,50,28	23,95	5,37,64
GRAND TOTAL	30,11,97	16,45	5,44,66	2,80,89	38,53,97

(To be Continued)

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There will be no issue of 'The Eastern Economist' on Friday, December 23, 1955. The next issue will be the Annual Number, 1955. "INDIA AND THE COMMUNIST WORLD", priced Rupees Five, but supplied free to subscribers on December 30, 1955.

The Eastern Economist

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The Leaning Tower of Panchshila

HOW, it is being asked all the world over, is one to construe the historic statement signed last Wednesday by the Indian and Soviet Prime Ministers at the conclusion of the romantic visit of the Soviet Prime Minister and Mr. N. S. Khrushchev to this country? If such statements were legal documents, the question of their construction would be a matter of debate for experts, particularly of the dangerous legal kind. No such easy dismissal is, however, possible for this document is of the core of world politics, after the coming of what has been called the Cold War. The world has been deeply stirred by the Russian visit; it is anxious to know how far it reflects a change in Indian independent dynamic neutrality. The answer that it has made no significant change is more readily proclaimed than proved. What are the facts?

In the first place, it is to be remembered that the tone of the latest joint statement is not in substance different from the statement which, both the Prime Ministers signed in Moscow on June 22. That statement approved of Panchshila as a dominating doctrine for regulating relations between the signatory countries, called for the admission of the People's Republic of China to the United Nations, invoked the Geneva spirit (which subsequently appeared appropriately as a messenger from Heaven), and finally dealt with the whole problem of disarmament in very much the terms now used. If the present statement contains in itself a further Indian leaning towards the Union of Soviet Socialist Republics, the words which indicate that leaning are not to be found in any particular portion of this statement. There is, therefore, no reason to see in the statement itself a departure in Indian foreign policy.

Why then, it will be asked, has there been a widespread feeling that the volume of neutralism in Indian foreign policy has undergone some change? In part, there is no doubt that the fact that Indian soil was used for the expression of voluble anti-West sentiments, particularly by Mr. Khrushchev, has led to the belief that India was in some way a party to these expressions. While no Indian will be deceived on this point, there is no doubt that this records one great departure from the corresponding tour of the Soviet Union by our Prime Minister. No propaganda war against the West was waged from Russian soil

nor, indeed, was any attempt made to embarrass the host country in any way. There are many Indians—and this applies to Ministers of the Government as well as to many Members of the Legislature—who hold the view that our Russian visitors greatly exceeded propriety in this matter. It is necessary that, while courtesies due from a host country should have withheld any bans imposed on our visitors, it should now be made clear that Indian foreign policy was by no means affected by these pronouncements, and remains as friendly to the West as it is to our new-found friends. In the special circumstances in which foreign policy is made in India, it is desirable that this disclaimer of a leaning of India's foreign policy towards the Communist countries should come from the Prime Minister himself. There is some hope that such a statement will emerge before the current session of Parliament is concluded. It is due to ourselves as well as to the world.

Secondly, it is vital that one should recognise that where Indian sentiment has been cast on the Communist side, it has been in part not the work of the U.S.S.R. and its distinguished representatives but that of a leading statesman—unless one excludes the application of this word to Mr. John Foster Dulles—in the Western world. At the very moment that Indian opinion was taking a pro-West course by the verbal excesses of Russian propaganda, it was held in its tracks by the notorious Dulles-Cunha statement. There is no reference in the joint declaration to the Dulles-Cunha statement. It has, however, done some unhealthy work. Just as some of the overtones of the June 22 statement were made by a climate in Moscow, so there might have been a Delhi angle on the December 13 statement here. The Dulles-Cunha statement has prevented a more generous statement in the neutralist climate of New Delhi. In effect, therefore, a statement which might conceivably have been dominated by an Indian note was allowed to take the form of the first statement which bore the impress of its Moscow seed.

Finaliy, it should be said that unlike the previous declaration, which did not involve India specifically in the Cold War as such, one of the surrounding elements with which the current statement will be interpreted abroad will certainly place India more significantly in the dust of Cold War controversies. The particular association of the U.S.S.R. with Indian views on colonialism, with special reference to Goa, and with the definite statement on Kashmir that it is a portion of India, will be reckoned as Russian inducements for us to ride with them on the Volga, that is, blandly to give them a quid pro quo. Are there no dangerous strings attached? There is no doubt that to the extent that the U.S.S.R. has thus emerged on the side of India in these matters the presumption has been raised that a new degree of like thinking has grown between the U.S.S.R. and the Indian Union. Whether it is that the U.S.S.R. has come our way, or we have gone a portion of theirs, is beside the point. At the present time over much of the world the events of the last three weeks have been read as reduction of one of the degrees of freedom of India's foreign policy; and, whether we like it or not, the mere fact that such an opinion exists in certain leading countries reduces our effectiveness as a bridge between the blocs.

These are all portions of the truth, but a part is never equal to the whole. We are more friendly to the U.S.S.R.; this means, unhappily, some loss of friendship elsewhere. We have got a little more confused; a little more endangered in our concept of neutralism, a little less able to criticise systems of political thought in the Soviet Union. The emphasis in each case is on the word 'little'. We still have substantial independence on major issues of foreign policy. For example, the mere fact that we have signed an agreement with a reference to "the Geneva spirit" by no means debars us from asserting that the failure of the last Geneva conference was as much a result of Soviet obstinacy as it was of hesitation in the Free World. Again, no Indian will wish to decry President Eisenhower's spacious air-inspection proposal which the Russians have rejected. Thirdly, we dislike U.S.S.R. hydrogen bombs—one of which was unwisely detonated whilst our visitors were in India—as much as any other lethal atomic weapons. Finally, the interpretation of Panchshila in India is obviously different from that of the Soviet Union. In the Soviet Union, it would appear that peaceful co-existence can be an active instrument of propaganda. The Cominform, Mr. Khrushchev said, would continue in existence as a source of information. In other words, the propaganda battle is still on. India would never concede that the existence of the Cominform for this purpose is consistent with an honest interpretation of Panchshila; it means, that while we cannot criticise totalitarianism, the totalitarians can hurl all their thunder against democracy.

Thus it comes about that there are vital differences between the attitudes of minds of the Russian and Indian Prime Ministers although they are signatories to the same statement. It is necessary that both we in India and our friends in the Free World should appreciate that the construction of the words of the common statement are less important than the intangible, but nonetheless real, differences in the minds of the two Prime Ministers. Panchshila may look like a strange political talisman since it has brought democracy and totalitarianism together. But this reflects not a common view but only a common desire to compromise for "peace". It is this desire for peace that is common, not the substance of the thing on which agreement is said to have been reached.

Precisely because we have given the Free World the mistaken impression that we have entered on one side in the Cold War, precisely because Russian diplomacy has succeeded cleverly by references to Goa and Kashmir in arousing our emotional attachment, and precisely because different interpretations of Panchshila have been made to look alike, we in India have lost, at least to outward appearance, some of our independent dynamic neutrality. This is a hard fact which the Prime Minister and other Indian leaders must recognise, however unjust they may consider these appearances a reflection of their true state of mind.

It is time that those of us in India who appreciate the mere material fruits of the Russian visit—such, for example, as the agreement to supply one million tons of steel over the next three years—should recognise that we cannot sell the spiritual values of Indian freedom, invested with the great name of Mahatma Gandhi, for a petty commercial deal. Panchshila seems to be losing its moorings with Gandhian freedom of expression to become a conspiracy of silence in Leninist hands. It can be a tower of strength. But the tower of Panchshila has started leaning; let the disciple of Mahatma Gandhi set it straight.

Ends and Means

THE annual meeting of the Associated Chambers of Commerce and Industry last Monday produced no surprises; it served, however, to underline the existence of differences in philosophy between the public and private sectors which it has become fashionable to deny. It is often argued in Delhi, and all too easily, that because there is no difference on the order of magnitudes of future rises in real income and the desirability of more equal distribution and more employment, one might assume that differences between the public and private sectors are now of the second order of smalls. In the unfinished debate between Mr. G. A. Sim, President of the Associated Chambers, and Mr. T. T. Krishnamachari last Monday, it became clear at a very early stage that this current optimism on "ideological" differences is misplaced. It is true that there is now no difference on ends; it is almost equally true that there is now as wide a difference as ever on means.

Consider, for example, the illustration of coal to which Mr. Sim very rightly gave prominence. The gravamen of Mr. Sim's charge against the public sector here was that the public sector's efficiency was deplorable, that the private sector had all the means as well as the desire to undertake the entire target, and finally, that the guarantees against nationalisation removed by the Fourth Amendment to the Constitution made working in this industry, as in others, less attractive than, say, twelve months ago. It may be that some of Mr. Sim's assertions could have been questioned. There are, in fact, different views on the capacity of the public sector in this industry; there are differences on the actual, as distinguished from the "claimed," capacity of the private sector and on the extent to which nationalisation policy has "queered" the pitch. But it was on none of these issues of fact that Mr. Krishnamachari chose to base his reply. His argument was frankly political.

It was to the effect that the Industrial Policy Statement of 1948 contained coal in the "public" sector, therefore, the private sector could not claim any share of production as of right. Secondly, it was argued that the new consumers of additional coal would be in the public sector to a great extent and the new steel plants as well as large new public undertakings had a major interest in new coal production. Thus the argument moved on divergent lines which had not even the virtue of non-parallel lines that they must meet somewhere. Nice debating points were made on both sides; but who will contend that either side carried conviction to the other or, indeed, to the objective spectator? One had the feeling that the debate was being conducted in terms of entrenched positions. How can there be a meeting-ground of views in this industry when one assumes that, where it has the capacity, it must have the opportunity and the other believes that, precisely because it has not had the opportunity, it must now, at whatever price, develop its capacity?

The coal industry provides only a special case of a general difference on the character of economic enterprise in India at this time. Mr Sim—speaking for the private sector—pleaded for a fair deal to the active agents of the private sector. Mr Krishnamachari—speaking ostensibly for the public sector—pleaded for a fair deal for the passive agents of the country as a whole. Again there was no meeting ground. Mr Sim seemed to contend that restriction of opportunity and incentive to the private sector could not be in the interests of the whole. Mr Krishnamachari countered that protection of the private sector could never be a solvent of the widespread malady of deep-rooted poverty characteristic of under-developed economies. The most that was established in both addresses was that neither the active nor the passive sectors could be ignored. The point at which the opportunities—or "sacrifices" as the word was once used—could be subordinates to the rights—or "privileges" as the word was once used—was nowhere defined. Mr. Sim agreed that capitalism in India was succeeding; Mr. Krishnamachari seemed to argue it had failed. Curiously, both agreed that the performance of the economy gave cause for satisfaction. And thus, except for ideological differences, there was no difference in description of fact. Only it was all wildly confusing to the onlooker. What, again, was the point in the departure away from current policy, if it had been so markedly successful?

Obviously, the answer was to be found in some political imperative, which was nowhere defined. Mr. Krishnamachari implied that the Government was under a domestic imperative to adopt a "non-capitalistic" approach, which, for purposes of convenience—and not because of any parallelism with socialism as that word was currently used—be called "the socialistic pattern of society". But what is the nature of this imperative? Was it employment; did a socialistic pattern of society give more employment than a capitalistic pattern; if so, where and why? Was it the need of resources or stepping up the rate of capital formation? Did, for example, the high rates of personal taxation, included in the Budget for 1955-56, make possible a level of economic development incompatible with lower tax resources? If the answer to this question is in the affirmative, this would imply that a figure of Rs. 9.15 crores per year is decisive in the resources programme of the second Plan. Surely, neither the employment nor the resources argument can be taken to justify the victory and virtue of non-capitalism any more than mere production performance and efficiency can justify the existence of uncontrolled capitalism.

The truth is that where social progress change, every economic policy will have to be in part a political policy. Every political policy will need in part to be a policy with ingredients of preference and prejudice. India's current policy of a "socialistic pattern of society" is predominantly a political policy. It cannot now be avoided; and if Mr. Sim was arguing that a major retreat was possible, he would have argued himself out of court. He was, however, perfectly within his ground to argue that the public sector, whose legitimate aspirations were associated with the people's support, was still to win its spurs. What gives the public sector its chance today is nothing more or less than the power, which because of prejudice against the private sector, and preference or non-prejudice for the public sector, has been thrown into the scales. Everyone will agree that the private sector cannot do the job; but everyone seems to believe without a shadow of evidence a wholly untried "socialistic pattern of society" will succeed. What is this but a projection of public opinion into a field where it has no competence? Ideologies are powerful active agents and the very power conferred on the public sector gives it immense authority and, it may be, there-

fore, some efficiency. But need one argue that the socialistic pattern of society needs no other justification?

It is good to pass from this question, which Mr. Krishnamachari skilfully evaded, to the forceful and wholly appropriate statements that he made on foreign investment, foreign aid and foreign collaboration. It was good for the particular audience he had on that occasion to know that "if those people with whom India had been associated failed to induce confidence for increased foreign investment, India would have to look to other quarters for assistance". In the process of this search, however, there was to be no surrender of our independence; we were not in the process of changing our policies even if there was some change in our partners. These pronouncements were the more acceptable because of the hour in which they were spoken.

India's business men are slowly—all too slowly—getting used to the deep political overtones in which economic policy is being framed. But they have not yet learnt the major lesson of Indian economic policy since 1947. If the political overtones are becoming more pronounced, so are the economic imperatives. If the Indian people do, indeed, demand more non-capitalism, it is extraordinary how easily that demand has been reconciled with more capitalistic production, both in the private and public sectors. On paper the means look very different; in practice they tend to look remarkably the same. Is Monday's debate, therefore, not to be accepted with all the grace and good humour in which it happily took place?

Mr. Attlee

IT is an exceptional thing for the retirement of a leader of an opposition political party to be marked by such great personal tributes as Mr. Attlee has earned in the last few days since he announced his resignation. Opposition leaders rarely retire; they usually fade away long before that occassion. But Mr. Attlee has, during the last two decades of his leadership of the Labour party become a national figure. That he succeeded in acquiring this stature by the side of a real historical hero like Winston Churchill is a matter for tribute to the British people who have recognised qualities of greatness as much in his quiet and unobtrusive ways as they found inspiration in Churchill's leadership during the war. Mr. Attlee did not sway the minds of men by powerful oratory nor overawe them by an incisive intellect. But he possessed an unimpeachable integrity which could survive political odds and whether in dealing with his political opponents or in handling the less temperate sections of his own party, his dignified attitude eventually won.

The political future of the British Labour Party which he took over in 1935 was not indeed bright. Under George Lansbury, the party had barely pulled itself together after the confusion into which it had been led by Ramsay MacDonald and it was not until the year of the Coalition after 1940 that Mr. Attlee's stature was better revealed. It was also Mr. Attlee's political judgment that dictated that the Coalition must end in 1945; and when the British people with a surprising resilience voted Labour into power in a mood of idealism, the task which faced him as Prime Minister was immense. It was his handling of British affairs during these years that has entitled Mr. Attlee to an honoured place in history. He found the men who would help him to face the problems. Mr. Ernest Bevin at the Foreign Office and Sir Stafford Cripps as Chancellor have been able to make the impression they have left not least because of the leadership under which they functioned.

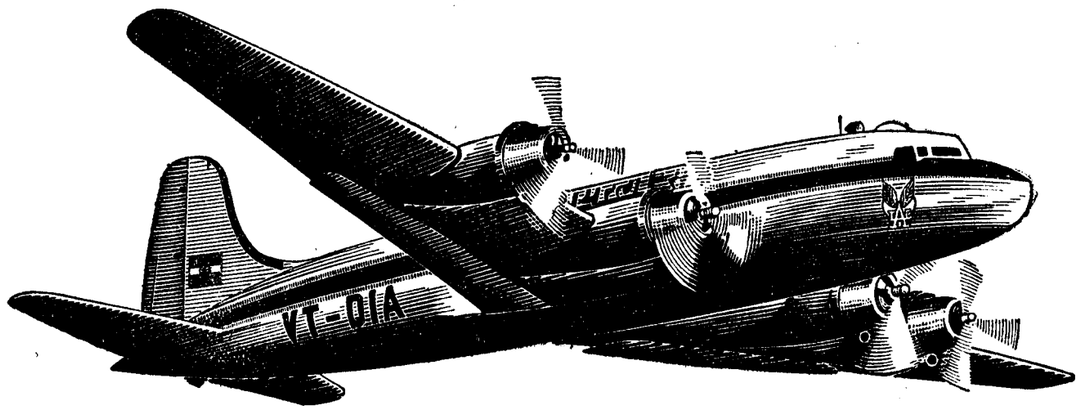
The *raison d'etre* of the Labour party was socialism but the circumstances in which the party was voted into power hardly justified a doctrinaire faith in it as a basis of national policy. Mr. Attlee did not, however, make the creed of the party altogether devoid of meaning though he steered clear of its pitfalls. Barring steel nationalisation, the major achievements of Labour could not be reversed even by the Conservative party after 1951. The retreat from the system of controls was more due to a changing economic climate than to the return of laissez-faire. The orientation given to the Labour party's political philosophy is best seen in the manner in which succession to the Labour leadership has now been determined. It is not on Mr. Bevan but on Mr. Gaitskell that the mantle of leadership has now devolved and Mr. Attlee has remained long enough at the helm to help this development.

It is thus an impressive record of political leadership that Mr. Attlee has given to the Labour party, which has few parallels. But his claim to a place in history—and not merely in British history—rests on the more solid foundation of the imaginative act of statesmanship with which he effected a transfer of power in India. That was the greatest example of a sound political judgment backed by a determination to achieve what his strong convictions prompted, undeterred by the serious obstacles that came in the way. Even in these few years, history had adjudged it to be a tremendous act of courage. It did not call for very high powers of oratorical eloquence or display of field strategy, but was nonetheless heroic. His sincerity not only dissipated all feelings of ill-will towards Britain but also promoted that degree of friendliness which brought about the acceptance of the new formula for India's participation in the Commonwealth as a Republic. Thus were also laid the foundations for the changing complexion of the Commonwealth as a whole of which we are finding increasing evidence at the present time.

Indian independence might have been nothing more than a simple act of faith on the part of Mr. Attlee but it has become by virtue of subsequent developments a landmark in the world's history. Its irresistible logic led to the birth of new independent countries—in Ceylon, Burma and Indonesia—which became bulwarks of freedom in Asia just in time, before the psychological impact of the Communist tide in China could turn men's minds in other directions. Posterity cannot fail to find in this timing an enduring significance.

The actual effect of Mr. Attlee's retirement on the political fortunes of the British Labour Party is not perhaps, of great consequence at the present time. Socialist dogma has been diluted considerably, more by the experiences of those who have been in the vanguard of the British Labour Movement than by the wisdom of its critics, while the residue of economic virtue has been assimilated by those whose philosophy has seemed hitherto to be wholly opposed to it. Democratic socialism has thus emphasised democracy more than dogma and though this often results in a dilemma, it has better fitted British Labour to provide an alternative form of Government in keeping with the established tradition of gradual change.

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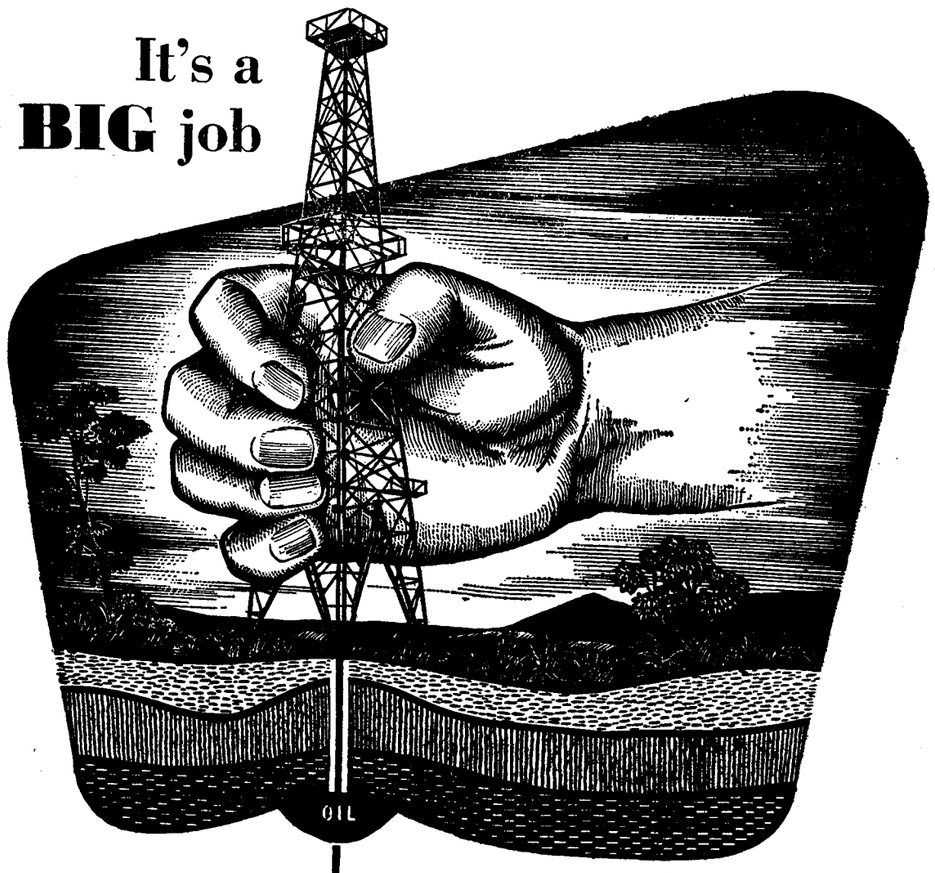
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THE WEEK'S NOTES

MR. MARSHALL AND THE CHANGING COMMONWEALTH

NORMALLY, IT might not have been possible for the political problem of Singapore's self-government to assume the importance it has now attained because of Mr. David Marshall's excellent combination of tact and firmness. He was obviously outspoken on the value of his visit to India and his talks with Mr. Nehru. Mr. Marshall stated plainly that he will hereafter be looking at Singapore's problem in an Asian perspective instead of as a local issue as hitherto. It was also satisfying to hear that Singapore was not anxious to remain apart from the mainland to which it has been geographically, ethnically and economically bound; the fear in Malaya of domination by non-Malays must be dispelled only in course of time before a closer constitutional set-up can be envisaged. If Mr. David Marshall wished to make the problem of Singapore's political future a Commonwealth affair, he could not have acted differently. He has ignored British criticism of his visits to Colombo and New Delhi en route to London and it is not surprising that Mr. Nehru found in him a willing listener for his exposition of the evolution of the Commonwealth as he sees it.

Interpretations of the role of the Commonwealth may differ according to each member thereof but so long as it is founded on the freedom of the members to follow their individual policies and the association of new members on a footing of complete equality, the Commonwealth may not fail to become a lasting bridge between East and West and to develop gradually an understanding between the advanced and backward races of the world. This does not depend on what consultations are held in London but how its members choose to act. The Commonwealth is now like a banyan tree in its most vigorous periods of growth; it has developed branches like the Colombo Powers which had as its offshoot the Bandung Conference. The Colombo Plan which started as a Commonwealth affair in a restricted sense has also drawn new participants who were outside its pale at an earlier period. It is an expanding Commonwealth even in the strict geographical sense; but such expansion will inevitably change its character. Evolution along these lines cannot be stopped unless the Commonwealth idea is completely killed and all its roots and branches severed. None but the foolish will attempt to do that; and if there are men like Mr. Marshall in the other areas to give the lead the change will be accelerated.

THE INSURANCE (AMENDMENT) BILL

THE INSURANCE (AMENDMENT) BILL, now passed by the Lok Sabha, seeks to replace the recent Ordinance promulgated by the President to amend the Insurance Act with a view to widening the scope of Section 106 to deal more effectively with cases of misfeasance. It authorises the Administrator of an insurance company to attach properties which may be liable to attachment by the court in proceedings under this Section. The Minister for Revenue and Civil Expenditure, Mr. M. C. Shah, who moved the Bill, said that the existing provisions were not sufficient to safeguard the policy-holders' money or to bring to book persons who misappropriated such moneys or caused losses to the insurance companies in disregard of the Insurance Act.

It will be readily conceded that the objects underlying the Bill are laudable, and business circles have themselves welcomed the move for control of policyholders' funds. Whether the amending Bill is indispensable and, even if so, whether its provisions should be so extraordinary and so comprehensive, as to bring about a perpetual inquisition into the affairs of every insurance executive may perhaps be debated. For the "microscopic minority" who indulge in anti-social acts, all people in the insurance field should not be penalised and Mr. Tulsidas Kilachand made a good debating point when, after referring to scandals with regard to Government services and the strictures thereon passed by the Public Accounts Committee, he asked whether the entire services or the politicians were all bad. The Ordinance was promulgated under certain special circumstances which demanded quick action against a particular company and those circumstances cannot be claimed to exist at all times in respect of all or even a notable number of companies.

The performance of insurance companies, as a whole, has been admittedly good and, in any case, does not warrant a sweeping measure of this kind. For one thing, the present Insurance Act itself provides ample powers to the Government to stop anything which is of the nature of what has happened in the case of the particular insurance company in question. With the powers that the Government has under the present Act, it could have appointed the Administrator a year or even two years back but the Government seems to have found out the facts much later.

There are no extenuating circumstances in individual cases of proved fraud and the law will and must take its course. But generalisation about diagnosis or remedy must be more cautious. It is not the number of companies that matters in judging the prevalence of crooked methods but the volume of funds involved. The stringency of the law can hurt less if sweeping generalisations are not made on the basis of the exceptions to good conduct.

LABOUR ROUTED IN AUSTRALIA

ALTHOUGH THE full results of the Australian federal elections will not be known for several days, it is safe to assume, from the returns announced so far, that the Liberal Country Party's Coalition Government, headed by Mr. Robert Menzies, is certain to be returned to power with a big majority over the Labour Party whose leader Dr. Evatt is reportedly in danger of losing his seat. For the Menzies Government's landslide victory, the greatest single contribution has been made by none other than the Opposition Leader, Dr. Evatt himself. In fact, the Australian Labour Party's rout provides a telling commentary on the deep division within the Party's ranks and the extent of unpopularity of the Party's chief not only outside the Party but also outside among the electorate.

When Dr. Evatt was re-elected Leader of the A.L.P. some months ago, many shrewd political observers were quick to perceive his loss of control over the Labour movement as a whole. His attitude towards the Petrov Enquiry Commission and his swing towards extreme Left-wing alienated the sympathies of both Right-wing Labourites and the general masses, and enabled the Party in power to exploit the situation to its own political advantage. His frantic efforts to establish the Petrov papers as fraudulent went against all the weight of probability and coincidence, and failed to make any headway with either the commissioners or the public. The only real damage done to him by the Petrov episode was the one he inflicted on himself. What is more noteworthy, the Menzies Government gained to the extent the Petrov affair revived the issue of Communism—an issue, the exploitation of which has paid good dividends to the governing party.

Added to this was the division within Labour's ranks. Large sections of the Party and the people at large disliked Dr. Evatt's attack on "The Movement" (a political offshoot of Catholic Action) which gave Left-wingers in the A.L.P. an opportunity to use him as a weapon against their opponents in the Party. On the other hand, many Labourites and party officials joined

forces with the Right-wingers merely because of their antipathy towards Dr. Evatt. Further, his renewal of association with Dr. Burton (who went to a "peace" conference in Peking while Australian troops were fighting the Communists in Korea) made him all the more unpopular.

In the welter of these internal troubles, the Labour Party, in utter disregard of public welfare, gave little thought to the growing economic "malaise" which has been hitting the worker hard owing to the rising costs and the decline in his standard of living. The cost problem in Australia is wearing away the country's capacity to sell its exports and threatens to become increasingly acute. The Labour Party could not possibly advocate any economic solution which would affect its constituents' privileges and even though the Menzies Government had no better economic policy, its political doctrine has carried it through.

AIR TRAVEL AMENITIES

THE DEPUTY MINISTER for Communications has listed the improvements in operational efficiency and passenger amenities made in the Indian airlines since nationalisation. Mr. Raj Bahadur said that an integrated training programme for all pilots was instituted by the Indian Airlines Corporation at all bases and special training was arranged for the pilots of the newly acquired Heron and Skymaster aircraft. Among the more important improvements effected in the airlines, as outlined by Mr. Raj Bahadur, are the teleprinter circuits established in major cities for quick transmission of messages. Arrangements have been made in all Dakotas operating passenger services to serve hot meals to travellers during flight. For transport of passengers to and from aerodromes, old and worn out vehicles have either been replaced by new ones or renovated.

In regard to Air India International Corporation, the Minister stated that radio telephony had been introduced to facilitate expeditious exchange of information between the aircraft and ground stations. With the installation of new equipment for automatic calculation, the crew will not be required to make calculations for the track to be followed by an aircraft. New types of seats, called 'slumberettes', have been installed for standard passengers at no additional cost. The Air Transport Council has also issued a questionnaire asking for public views on air routes, frequencies of air service and time-tables of the IAC, and inviting general proposals for increasing air passenger and freight traffic. The questionnaire elicits opinion on the relative importance of commercial and social objectives in the determination of fares and freight rates.

For the vast bulk of travellers, however, railways are more important and here too amenities have been promised for travellers in Class III which seem even to exceed what should be regarded as feasible at this stage. With the proposed introduction of vestibule, air-conditioned coaches from October next year, Class III passengers will have a taste of comfort though there are obvious limitations to the extension of amenities.

CIVIL SERVICES IN BRITAIN

THE ROYAL COMMISSION, appointed two years ago to report on what the Civil Service members in the U.K. are supposed to do and what should be their proper remunerations and terms of service, has recently published its findings. These are now under examination by the Civil Servants' organisations who will later hold discussions with the Government representatives. Such commissions are generally appointed in the U.K. every 20 years or so. The Commission feels that as a result of the reforms introduced over the last century, a stage has arrived when the Civil Service has to compete with non-official branches of the economy for its manpower. Industry, commerce and finance offer broader opportunities which attract competent men. It was, therefore, natural for the Commission to recommend that salaries offered in these and in other public services like university staffs should be taken into consideration in determining the rewards of Civil Servants. The Government needs not only administrators but scientists and specialists in many nationalised undertakings. This necessitates a careful consideration of additional attractions required in the Civil Service. The Commission has accordingly suggested that the "level of remuneration which would be considered reasonable in the light of tradition and convention for most Civil Servants" should be devised.

This is in contrast to the attitude adopted in India, even though the conditions have been somewhat different here. The Civil Services, mainly administrative, have not hitherto felt any dearth of competent men, though it may not be that always the right men are selected. With the accelerated tempo of industrialisation and the expanding public sector in industry, India, like the U.K., will need, besides administrators, scientists and specialists who will be highly in demand in the private sector also. However, instead of providing the necessary incentives, the Government have been advised to lay down income ceilings for the private sector as though a restriction of alternative opportunities can by itself prove an incentive.

EDUCATIONAL PROJECTS UNDER FORD FOUNDATION

THE VARIOUS educational projects which had been sanctioned by the Ford Foundation for the spread of education in India include seminars, workshops, extension services and rural institutes. The Ford Foundation have sanctioned the following projects and have allotted a sum of $2,308,300 to be spent as follows:

1. Seminars	$ 60,000/-
2. Workshops	$ 28,300/-
3. Extension Services (actually transferred for 1955-56) = $167,000/-	$500,000/- for 3 years.
4. Rural Institutes	$1,720,000/- for 3 years.

Under the Project of Seminars, it was decided to hold 10 Seminars, 8 Regional Seminars of Headmasters, Inspecting Officers etc., and 2 Special Seminars. Out of these 10 Seminars, 8 have already been held and their reports are awaited.

Three workshops are being organised by the U.S.E.F. in India to whom the Government of India have transferred an amount of Rs. 1,34,425/- which is approximately equivalent to $28,300/- allotted by the Ford Foundation. One workshop of 10 weeks duration is at present being held in Calcutta. The Bhopal and Mandanapalle workshops will commence on January 10, and in the first week of April 1956 respectively.

Under the Extension Services Project, the Government of India have selected 24 Training Colleges for implementing the Project. Out of the total grant of $500,000/- for three years, the Ford Foundation have already transferred $167,000/- to the Government of India for this year. Each of these 24 colleges will have an Extension Services Department with staff adequate for the type of services it undertakes. Most of the colleges have already started the work.

The Government of India appointed the Rural Higher Education Committee in October, 1954, which has already submitted its report, and it has been decided to constitute a National Council for Rural Higher Education.



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AN IMPASSE IN PLANNING?

THE Panel of Economists has been in session again this week to consider the second Five-Year Plan. What the economists have actually discussed and what contributions the Panel can make to our ideas of planning at its present phase may not, however, prove significant because, queer as it may seem, the problems of our planning are hardly 'economic' in its real sense. Our economists, who seemed completely disarmed by the Plan-Frame's certitudes seven months ago, may now have a free field for speculation because the Plan has steadily dissolved itself and become very, very fluid. Physical planning is now a rather discarded motto; its adoption raised up a monster Plan of about Rs. 10,000 crores which had to be drastically dismembered with the financial pruning knife, but, even so, success has been only partial. More cuts will be needed but where to apply them has been the problem. Whether indignant State Governments or overbearing Central Ministries should be over-ruled is not a matter on which any rule can be laid down. After all, they may make a mess of the Plan because they have planned for too many things which they cannot suddenly cast aside; they would, left to themselves, prefer to spread out the available outlay thinly, even at the risk of achieving only partial success all round. It is quite possible to say that if "physical planning" had not suddenly become the rage some two years ago, this impasse could have been avoided.

The press report that the Finance Minister, Mr. C. D. Deshmukh, has told a party committee that the nation will have to make a superlative effort in terms of tax burdens, savings and restraints on consumption for carrying out a Plan of Rs. 4,800 crores—the present irreducible minimum is still larger by another Rs. 500 crores—is not indeed the note of optimism which prima facie it appears to be. The old questions keep recurring. Which taxes are to be levied? Will deficit financing be matched by sufficient goods for consumption? What will be the effect of large-scale borrowing on the supplementary activities outside the public sector under the Plan? If overall economic calculations in terms of national income and of investment at the rate of about 11 per cent thereof are good guides, would they not also set the limits to existing and prospective investment, if a major portion is to be diverted to the public sector? With increasing diffidence on foreign aid—which applies to both the public and private sectors—and no visible taxes, elastic enough to yield the order of resources needed, and limits to deficit financing—it is rather naive to feel confident. Alternatively, it can conceal a sense of frustration and thereby act as a means of self-deception. What the Finance Minister has said does not increase optimism. If no coherent order of priorities can emerge, then the Plan as it exists may have to be maintained, but with the resources being found over six years instead of five. The Plan will then remain big enough, at least before the elections, to enthuse the country to more effort and sacrifice, if these can become election slogans.

Where do the economists come in when planning has thus to be done on the basis of wishful thinking and not on visible resources? They cannot approve of a Plan which is ostensibly presented as a whole but is accompanied by the condition that variations will be made from year-to-year according to exigencies. Year-to-year variations would in any case be necessary in the implementation of Government policies but that cannot be the watchword of long-term planning. Indeed it is an excuse for procrastination in taking decisions and the negation of all such planning, notwithstanding the Soviet Union's adoption of it under far different conditions. Which part of the Plan will thus be left to the vagaries of the administrator or the politician at various levels? It is necessary at least to know what portion of the Plan will thus be left uncertain so that others, especially those in the private sector whose schemes are contingent on these variable aspects of the Plan, may not cherish idle hopes. This applies particularly to the Railways whose carrying capacity will determine the tempo of economic activity in the private sector, especially in providing consumer goods and in the distribution of food to prevent inflation from raising its head.

Cannot the men who seek to enforce in the country the national effort needed to carry through a Plan exceeding calculable resources enforce a little sense of restraint among themselves and evolve a system of priorities which would make for an integrated Plan? The plea for an extension of the Plan to six years or to make annual adjustments may indicate a pragmatic approach to planning but can it not be achieved through other ways? For example, can there not be a Plan for, say, Rs. 3,500 crores in which priorities are integrated among the most essential schemes, which at the same time would also indicate the other projects that can come into the picture, according to the rate at which additional resources flow in and the manner in which they flow, whether through foreign aid, taxation, loans or created money? Will our economists take courage and speak up now to propound some such solution to lead us out of the morass into which the pique of State Governments and Central Ministries has led us?

Some blunt questions may have to be asked. Three steel plants may be quite excellent in their own way but their contribution to economy may be less if they have to be built without sufficient attention to railway capacity which has remained neglected even under the first Plan. So with heavy machinery, or with synthetic oil. It may be far more desirable for strategic and economic reasons to improve shipping, if aid or foreign exchange is more readily available, than implement some of these schemes. How, in this impasse, is the national interest enhanced by coal being taken over by the public sector? Answers in specific terms will have to be demanded to these and a host of other questions, on which vague assumptions seem to have prevailed all along at all levels.

Surely, if the position is so difficult, it is highly irresponsible for the Minister for Railways to be promising amenities which would involve further strain on the rolling stock, require more trains for the same traffic and reduce the railway contribution to the public sector's resources? Did the Finance Minister assume, when he envisaged additional railway profits, that there will be increase of freights on the low-rated traffic, which is now deliberately kept low in order to prevent costs of raw materials from rising? On a balance of all considerations, the economy may gain far more even if a Plan for goods transport is over-emphasised than if steel or oil or coal is overdone directly at the expense of the railways.

Ambitious planning can be right as an indication of a healthy rivalry in undertaking development acti-

vity. But physical planning in disregard of financial limitations has raised extravagant hopes which it is difficult to curb at this stage and equal courage is called for, not only in raising resources to the utmost but also in accepting priorities based strictly on the fulfilment of the activities of all the sectors. If the States have also to accept further cuts—besides those which have been imposed on them already and to which they do not yet seem to have reconciled themselves—the apportionment of the cuts among individual States may also create fresh problems. Any test of priority may be interpreted as partiality to particular areas and politics will come in here too. But should securing compliance to a system of priorities prove more insuperable than the enforcement of boundary adjustments on the basis of the S.R.C. Report?

It is indeed a failure of central planning that it has not been able to keep these larger objectives in view; and planning has virtue only because it can give centralised direction to a developing economy. It does not mean that the process of implementation has to be physically taken control of in the public sector at the Centre, in all spheres. The ideas on these subjects are as loose as the current assumptions about producing employment through the Plan on a large-scale. It may be politically expedient to make some assumptions about creating employment through schemes of doubtful soundness but it is clear that the present problems of planning cannot be solved by the employment yardstick. The number of issues that have been allowed to confuse planning priorities is too large. The silver lining to this cloudy picture is the knowledge that the country has shown keenness for economic development and is eager to see it take shape. This desire cannot be fed on hopes which cannot be realised or are premature; it may be better satisfied by undertaking the essential schemes which would promote a free growth in economic activity at all levels.

To the economists the moral flowing out of these considerations should be that there is little use in taking an abstract approach to the problem of deficit financing. On the scale now visualised—of Rs. 1,200 crores—this is inescapable; if there are limits, they will be decided only in an empirical manner, by the developments in the economy. Any estimate at this stage can only be rough. There is reason to believe that the opinion of some foreign economic experts on this subject has been rather conservative, just as some other Indian estimates have been wildly optimistic. Given the major premise that it is inexpedient to abridge the Plan further or to hope for more external assistance than now assumed, economic logic must dictate an emphasis on expanding production (especially of consumer goods) and transport within the Plan period and not merely at the end of it. If the economists also acquiesce in the sacrifices now contemplated, in the name of an uncertain increase in employment through small industries, they would not have contributed to check the dangers which they have feared most. The Panel may not decide the final shape of the Plan but it has provided an opportunity in which the vital questions could be asked. Let us hope that the opportunity will not be missed again.

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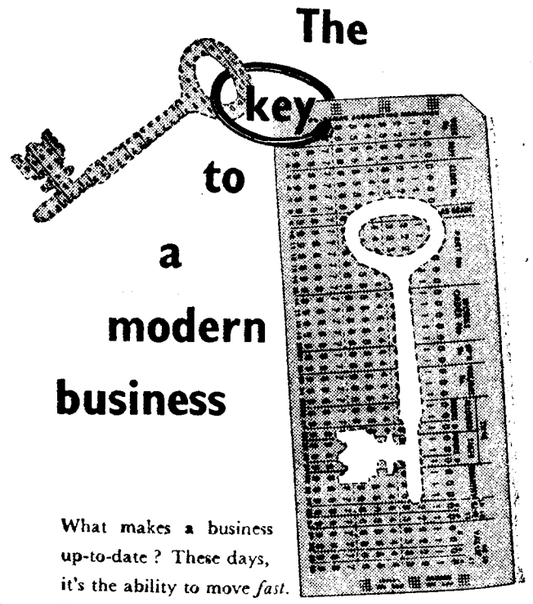
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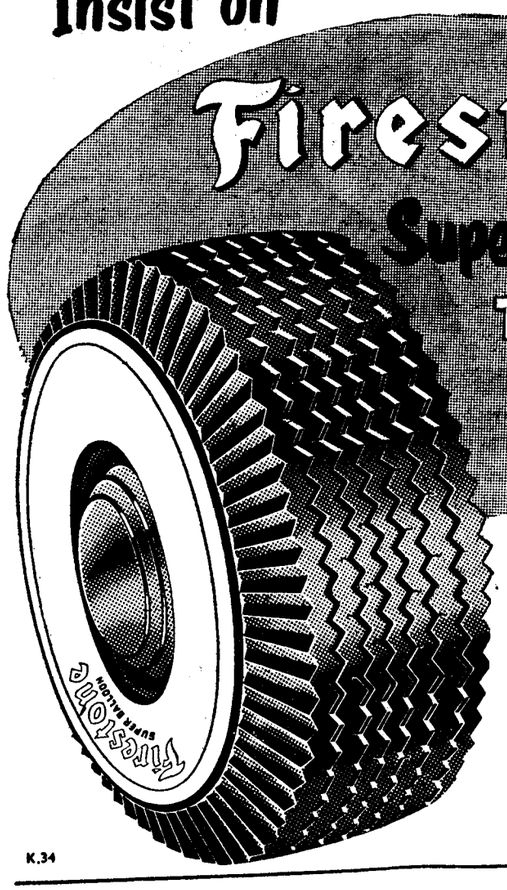
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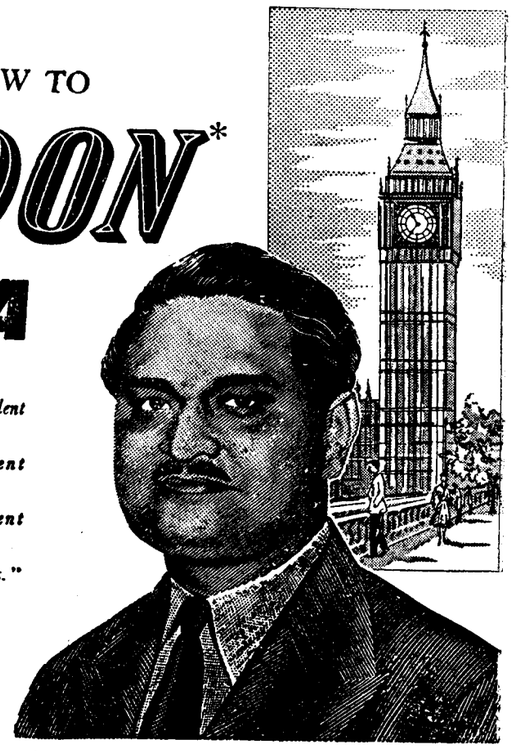
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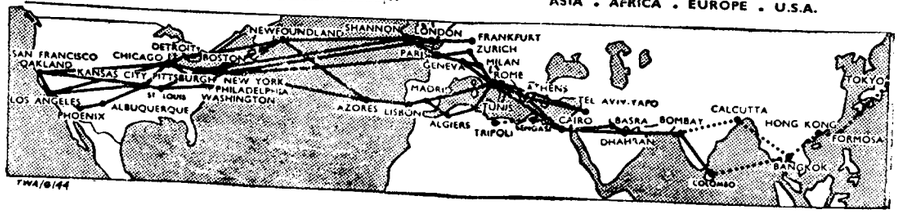
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WORLDGRAM

AGRICULTURE

Six-Point U.S. Farm Plan: The U.S. Secretary of Agriculture, Mr. Benson, has announced a six-point programme to alleviate agriculture's difficulties. His programme consists of: A stepped-up plan for surplus disposal and expansion of exports; a vigorous purchase plan to remove market gluts and assist farmers in adjusting to market demands; an enlarged plan of soil conservation and incentive payments to divert cropland to grass, trees and forage; expansion of the rural development programme for low-income farm families; more research, emphasising lower production costs, new uses for farm products, new crops and expansion of markets; and a speed-up in the Great Plains programme aiming at a better production balance.

*

Control of Black Smut: Black smut is a disease of wheat caused by a fungus. The disease is seen when the leaves in the late seedling stage show narrow red-grey streaks or stripes running parallel to the veins. Later on, the leaves get twisted and curl and droop down and wither away. The entire plant dies down early. Those that survive either do not produce any ears, or if they do, no grains are formed. Early sowing, sowing a smut-resistant variety or dressing the seed with a fungicide before sowing are the three measures recommended for controlling the disease. Recently, experiments were conducted in the Punjab, combining all the three measures. The wheat was sown towards the end of October instead of the usual time of sowing of November-December. A smut-resistant variety, IP 165, was sown and the seed was dressed with copper sulphate before sowing. The experiment showed that by this combination treatment, the crop gave a uniform increase in grain during the three years the experiment was conducted.

*

Ploughing for Seed-Bed: Recent experiments have shown that the normal depth of ploughing of four to five inches is sufficient for the preparation of the field of sowing crops. Experiments with maize and wheat were conducted to find out what the best frequency of ploughing should be. For maize, best results were obtained with two ploughings followed by three hoeings. For wheat, when three, six, nine and twelve ploughings for seed-bed preparation were tried, best results were obtained from plots that received nine ploughings. Farm experts say that the normal depth of ploughing as is obtained by bullock-drawn implements is the most practicable depth for seed-bed work. They feel that inversion of soil is more important than deeper ploughing. Just enough cultivation to keep down weeds and maintain the soil in a condition that can absorb and hold water is ideal. Timely and not frequent cultivation should be the rule on farm.

INDUSTRY

Structural Safety of Buildings: The Indian Standards Institution has prepared a draft code of practice for structural safety of buildings, loading standards, and has circulated it for eliciting comments. The draft code is one of a series of codes being prepared by the Functional Requirements of Buildings Sectional Committee covering different aspects of the many functions which a building has to perform satisfactorily. Among those functions are the utility of the building, its structural safety, fire safety, compliance with hygienic and sanitation standards, adequate ventilation and daylight. The design of the building is dependent upon the minimum requirements prescribed in regard to each of the above functions. The draft specifies different types of dead and live loads acting upon floors, roofs and walls and provides for impact and vibration loads and also effect of earthquake force on buildings.

*

Installation of Atomic Reactor Under Colombo Plan: An atomic reactor is being installed by the Government of India in collaboration with the Government of Canada under the Colombo Plan. The total cost of the Reactor which will be of the NRX type, including all the auxiliary installations, will be approximately $14 million, or Rs. 7 crores, out of which Canada has undertaken a firm commitment of $7 million. The Canadian Government has further indicated that if the external costs of the Reactor exceed $7 million, it will be prepared to meet this expenditure. India has undertaken a commitment of Rs. 3 crores and if the internal costs exceed Rs. 3 crores, then the additional expenditure could be met by the Government of India out of counterpart funds under the Colombo Plan.

*

Lower Electricity Output in August: During August this year, 705 electricity undertakings in India produced 706.3 million kilowatt hours of power, of which 574.4 million kwh were sold to ultimate consumers. As compared to July, power generating during the month decreased by 15.9 million kwh. The new inclusion during the month are three generating undertakings at Suri in West Bengal, Netarhat in Bihar and Mandla in Madhya Pradesh and two purchasing undertakings at Garia in West Bengal and Arrah sub-division in Bihar. The corresponding figures of output and sale of electricity for August last year were 632.8 million kwh and 510.5 million kwh and for August 1939 were 213.1 million kwh and 177.4 million kwh, respectively.

*

Production of Coal During the Second Plan: The Central Government has sanctioned so far 14 schemes costing over Rs. 1 crore for the development of State collieries. In addition, 25 schemes which would cost over Rs. 1.2 crores are proposed to be taken up during the second Five-Year Plan period. The target of 60 million tons of coal to be reached at the end of the second Five-Year Plan has been worked out taking into account the coal requirements of the Railways, the existing industries, the expansion schemes of existing industries under consideration, and the new industries likely to be set up during the second Plan. Of this additional production to be achieved during the second Plan, 8 million tons per year has been allocated to the private sector. The present annual production in Central Government collieries is about 3 million tons while the Singareni collieries owned mainly by Hyderabad State produce about 1.5 million tons. Government proposes to establish new collieries in Korba, Karanpura, Central India and in Raniganj areas.

*

Automotive Engine Blocks Through New Forecast: A new process has been evolved for producing automotive engine blocks of aluminium by means of what is believed to be the world's largest die-casting machine. Such blocks, if they can meet the stress and endurance requirements of automobiles, would have important weight and cost saving advantages over the conventional grey iron blocks cast by the usual foundry methods. The six-cylinder aluminium engine blocks weigh about 43 lbs. The same engine blocks in grey iron would weigh about 175 lbs.

*

Indonesian Tin Production: The production of tin in Indonesia during October covered 3,103 long tons. In comparison with the production in the previous months the production in October was smaller. This is due to heavy rains which resulted in the slackening of tin quarry. Tin production in September and August last covered 3,206 and 3,585 long tons, respectively.

Increased Steel Production in Sweden: The State-owned steel works at Luba, North Sweden, which last year produced 117,000 tons of rolled steel, had already by mid-November this year turned out 200,000 tons, according to reports in the Stockholm press. By the end of the year the output is likely to have risen to 235,000 tons. Apart from the rolled steel, the plant has delivered 1,00,000 tons of ingots and 42,000 tons of pig iron. This factory now ranks second among Sweden's steel works.

*

New Swedish Home Sewing Machine: A home sewing machine called Husqvarna automatic which, after a simple knob adjustment, automatically stitches twelve different ornamental patterns in addition to ordinary straight seams and zig-zag seams has been put on the market by the Husqvarna Works, Swedish home-equipment manufacturers. It is of the portable type and weighs only 23 lbs.

*

Crude Steel Production in Europe: Crude steel production in Europe continued to set new records in the third quarter of 1955, according to the latest "Quarterly Bulletin of Steel Statistics", issued by the U.N. Economic Commission for Europe. Output in Japan and Britain also broke all previous records for the quarter. Western Germany was producing at an annual rate of 2 million tons during this three-month period. Next came the U.K. with 18.5 million tons, France with 11.7 million tons, Belgium with 5.8 million tons, Italy with 5.3 million tons, Luxembourg with 3.2 million tons and the Netherlands with 1 million tons.

TRADE

Italian Foreign Trade: During the first nine months of the year, Italian exports rose by 11.5 per cent. Import increased by 9.6 per cent. The visible trade deficit amounted to £227 million, a 5.8 per cent increase over the previous year. Exports of cheese, fruit and vegetables, wine and vermouth have increased, but exports of rice and olive oil have declined. In the textile field, only exports of wool and artificial fibre textiles have increased while cotton exports have continued to decline. Exports of typewriters, adding machines and certain other light engineering products have continued to expand. Export of cars jumped from 31,468 vehicles in the first nine months of 1954 to 50,967 this year.

*

East Germany-Soviet Trade Pact: Trade between East Germany and Russia next year will exceed the 1955 figures by 24 per cent. Under a protocol signed in Moscow on December 3, East Germany will deliver machinery, industrial equipment, generators, transformers, ships, railways and chemicals. In return, Russia will send grain, rolled steel, precious metals, coal and petroleum.

*

Japan's Trade With Argentina: Japan has decided to limit its exports to Argentina which is having difficulty in settling its $90 million trade indebtedness to Japan. To keep trade more in line, export authorisation has been centralised. Export items affected by the tightening step are believed to include iron and steel products, machinery, cotton yarn and cloth, non-ferrous metals and other key products which constitute 98 per cent of Japan's exports hitherto to Argentina. The Japanese Government also plans shortly to send an investigation team to Argentina to seek ways for promoting imports from that country.

FINANCE

Subsidy for Benzol: The Government of India has decided to subsidise at the rate of one anna per gallon the sale of detoluated benzol, to be used as an admixture with petrol. The subsidy, which will cover the sale of benzene as such, will be paid to those manufacturers who have installed, or made arrangements to instal scrubbing equipment to produce all the crude benzol possible from their coke ovens as well as the requisite plant for further distillation of crude benzol into benzene, toluene, xylene, etc. The proposed subsidy will, in the first instance, be granted for one year after which the position will be reviewed both regarding the quantum of subsidy and the extent to which the facilities should be given. The subsidy, which would be independent of the rebate of excise duty on benzene for industrial purposes has been thought of as an incentive for expanding the production of benzol, benzene, toluene, etc., which are industrial raw materials.

*

Revised Rates of Duty Paid by Art Silk Manufacturers: With effect from January 1, 1956, manufacturers of art silk or rayon fabrics who now pay excise duty at a flat compound rate of Rs. 22-8 per loom per month will have to pay duty on the production of each shift according to the revised rates shown below: First shift—Rs. 22-8 per loom per month (same as at present); second shift—Rs. 15 per loom per month; third shift—Rs. 11-4 per loom per month. The Government of India has decided to make this modification in the rates of duty chiefly because, under the flat-rate system, manufacturers who employ their looms in two or three shifts derive an undue advantage over those who work their looms only one shift.

*

Increased Consumer Credit in the U.S.A.: The Federal Reserve Bank has reported that U.S. consumer instalment credit rose to a new high in October. But the month-to-month increase was the smallest since February. In October, consumer instalment credit increased $264,000,000 to bring the total outstanding to 26,963,000,000. Automobile credit rose $166,000,000 to bring the total outstanding automobile debt to $14,095,000,000. Personal loans rose in volume by $13,000,000 to a total outstanding of $5,324,000,000. Total consumer debt rose by $347,000,000 to $34,640,000,000.

*

Personal Income in U.S. Reaches New Peak: The U.S. Commerce Department reports that personal income in the U.S. rose to a new annual peak of $309,600 million during October. The figure represents a $1,700 million annual rate increase over September, and a $21,200 million rise over October 1954. The report shows that two-thirds of the increase over the September rate was due mainly to a rise in wages and salaries. The other third resulted from a continued rise in interest, dividends, and non-farm proprietors' income.

GENERAL

Metric System of Weights and Measures: The recommendation made by the Standing Metric Committee that Central and State Governments should begin marking mile and furlong stones in hecta-metres and kilometres, has been accepted by the Government of India. The Committee's recommendation that Central Ministries, State Governments and commercial organisations should begin converting drawings, specifications, maps, etc., to the metric system and recalibrating balances and other measuring devices in metric units as far as possible have also been accepted. Government has also accepted the Committee's suggestion that the demand for metric weights and measures and the existing capacity for their manufacture should be carefully assessed and measures adopted to ensure adequate supply.

*

Production of Documentary Films: To supplement the efforts of the Films Division of the Ministry of Information and Broadcasting in producing short documentary films on different aspects of the country's economic, social and cultural life, the Government of India has selected 41 private producers to form a panel from which will be drawn producers to make films on behalf of the Government. This has been done in pursuance of the recommendation of the Estimates Committee. The panel will be revised every year.

NEWS IN BRIEF

INDIAN

During the second Five-Year Plan period, the Government of India proposes to undertake a sample survey of deaf population in the country. The purpose of the survey would be to determine the incidence and causes of deafness and to survey the needs of the existing deaf population.

*

A scheme to establish an Industrial Management Service to man certain non-technical posts in State industrial enterprises under the control of the Ministry of Production has been drawn up and is under the consideration of the Government of India.

*

The Government of Assam has recommended to the Government of India the establishment of another refinery in that State. This proposal would be considered only if the present prospecting activities resulted in the discovery of a sufficient amount of crude oil.

*

A wind-mill of the low velocity type was installed at the village of Jatheri in Punjab (about 20 miles from Delhi) in October, 1954, by a private firm at the suggestion of the United States Technical Co-operation Mission to serve as a model water supply scheme.

*

The Hindustan Aircraft Factory at Bangalore is considering a proposal to manufacture electric coaches.

*

The total expenditure so far incurred during the first Five-Year Plan on the expansion and improvement of the Vizagapatam Port is Rs. 81,88,000.

*

The Indian Railways brought into use 21 air-conditioned coaches in 1954-55 and 32 in 1955-56 (up to October 1955), at a total estimated cost of approximately Rs. 1,51,24,000.

*

The Central Social Welfare Board has decided to set-up Urban Family Welfare Projects in all the States. The projects will be co-operative societies undertaking local industries to provide work in factories or in their own homes to lower middle class women.

*

The Government of India has decided to set up an Expert Committee to review the working of the present Excise Tariff on tobacco.

*

The Government of India has decided that match factories registered under the local Co-operative Societies Act may be allowed the concession to defer the payment of duty subject to certain limitations and conditions.

*

The Government of India has decided to set up an Expert Committee to evolve a scheme of export credit guarantee.

*

During 1953, 1954 and 1955 (up to August 15) the Indian Railways introduced 488 new trains and extended the runs of another 304 trains.

*

Between 1947 and October 1955, the Indian Railways have added to their system 4,939 passenger coaches, of which 4,455 were manufactured in India.

*

Up to the end of October 1955, the Government of India have sanctioned Rs. 20.49 crores as loans to various State Governments under the Low-Income Group Housing Scheme.

*

The Development Council for Bicycles has suggested a target of 1.25 million bicycles by the end of the second Five-Year Plan.

FOREIGN

A seminar on the population question in South and East Asia was held in Bandung from November 21 to December 3. It was organised by the United Nations in collaboration with the International Social Science Council.

*

The Japan Cotton Exporters' Association has accepted the Government's bid to process in Japan 80,000 bales of American raw cotton granted to Burma under the U.S. foreign aid programme.

*

An Italian trade delegation arrived in Karachi on December 13 to negotiate a fresh trade pact with Pakistan. The last trade agreement expired in December last year.

*

Mr. Graham Ford Towers, a Canadian financial expert, is to make a survey of Jamaica's financial institutions under the auspices of the U.N. Technical Assistance Administration.

*

The United States has completed the action required for membership to the International Finance Corporation, the proposed new affiliate of the World Bank.

*

The Syrian Parliament has ratified the oil agreement with the Iraq Petroleum Company.

*

The Brazilian Currency and Credit Control is to re-examine a recent instruction increasing discount rates from 6 to 8 per cent on commercial bills and 6 to 10 per cent for promissory notes.

*

Under the new regulations, which came into effect on December 5, issued by the Italian Exchange Control, Italian banks may undertake forward sales and purchase contracts with exporters and importers.

*

Mexico's dollar reserves stand at $372 million and are the highest in its history, according to Senor Antonio Carrillo Flores, Treasury Minister.

*

It is understood that the talks between Holland and Germany on the Ausland Bond problems will be resumed at the Hague on January 4, 1956.

*

A subsidy for the Belgian rayon weaving industries is proposed in a Government bill introduced into the Belgian Senate. The sum of Frs. 25 million is to be provided.

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The tenth session of the contracting parties to the General Agreement on Tariffs and Trade (G.A.T.T.) ended in Geneva on December 3.

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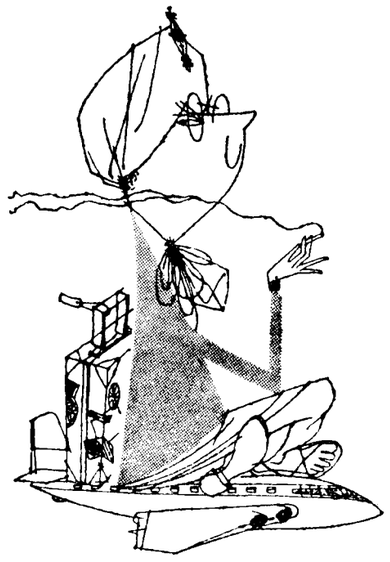
A jute conference will be held in Karachi in 1956 to examine various problems connected with cultivation, internal consumption and the export of jute, and how to ensure to the grower a reasonable price in relation to the world price.

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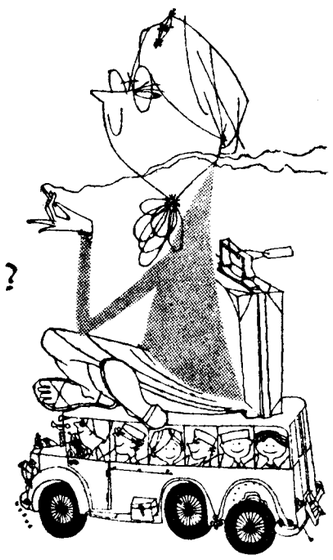
The Dutch-Indonesian trade talks opened at The Hague on December 10. One item on the agenda of the conference is the replacement of the existing financial economic agreement by one or more other agreements.

*

Mr. V. B. Khlebnicov, Soviet Deputy Minister of Iron and Steel, arrived in New Delhi on December 9. The Deputy Minister, accompanied by 13 Soviet steel experts, has brought a detailed report on the Bhillai steel project.



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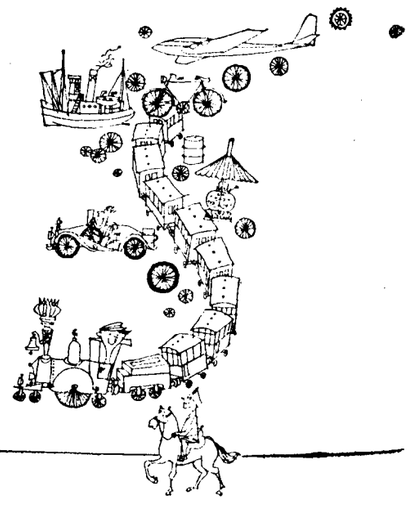
By air or by road, you travel by oil. Oil in the form of fuel, oil in the form of lubricants.

If you take a tonga after dark there is oil (or there should be) in the lamps.

Just about the only way to travel without relying on oil is on horseback. Even then it's all Chowringhee to Colaba that some part of your kit—your breeches or spurs—was manufactured with the help of oil.

You even travel *on* oil; for bitumen, a product of refining process, is widely used for road surfacing.

When you put out to sea you'll find oil ruling the waves from the engine room.



Aircraft in India, both jet and piston-engined, use the Burmah-Shell Aviation Service; private cars and public transport use fuel and lubricants supplied by Burmah-Shell. We oil the wheels in textiles and in the iron and steel industry. We supply bitumen for roads. In every major Indian port there is on tap the Bunkering Service operated by Burmah-Shell. Who says we're not—

IN INDIA'S LIFE AND PART OF IT

Economic Report from the U. S.

1955 IN RETROSPECT

(By Guy Sims Fitch)

WASHINGTON, Dec. 13.—As 1955 draws to a close, Americans are able to look back on the most prosperous year in their history. Economic growth has been sharp and sustained. The recovery that began late in 1954 has continued unabated; it has reached the status of a mature and stable expansion. So steady has been the progress of the past year that annual figures do not reflect the actual achievement; output, income and consumption levels are still rising as the year ends. As an example, the gross national product—the total output of goods and services—now is running at an annual rate of nearly $400,000 million. But estimates for the year as a whole, subject to some modifications when final data are published, place it at about $387,000 million. Even this lower annual average is an all-time high, exceeding by a considerable margin the previous 1953 peak of $364,500 million.

Perhaps the most exciting feature of this enormous growth is that it has been founded exclusively on private activity: consumer buying and business investment. It has depended neither on increased Governmental expenditures nor on inventory accumulation. In fact, activity in the private sectors of the economy has more than offset a drop of about $1,500 million in Government spending. The growing volume of private spending has been due largely to growing incomes, which gave people more money to spend on the things they need and want. This rise in discretionary buying power has been accentuated by the redistribution of income over the last two decades, which has seen the number of middle income families—those earning from $3,000 to $7,500 a year—rise from 28 per cent to 52 per cent of the total. Rising employment also has played an important part in broadening the consumer base. As 1955 ends, some 65 million persons are gainfully employed, a rise of four million in a year. Nearly all the increase in consumer outlays over the past year represents a gain in real consumption, as average consumer prices have changed little. The price index at the end of 1955 stands at about the same level as it did in 1954 and 1953—between 114 and 115 per cent of the 1947-49 average. The spurge in consumer demand for durable goods, particularly automobiles, has been a major factor in the expansion of consumer spending. Expenditures for household equipment and furniture also have risen substantially. Total retail sales for the year will hit a record $185,000 million.

Reflecting this rise in consumer demand, American industry has turned out products at record rates. The index of industrial production has risen during the year to 140 per cent of the 1947-49 average. The automobile industry, for instance, is turning out a record 8 million passenger cars this year. Sales in the chemical industry also are at an all-time high, 17.6 per cent above 1954. New freight car orders for the year have totalled about 162,000, the largest number in more than three decades.

The value of new construction during 1955 is estimated at $42,000 million—the ninth year in a row in which a new high has been reached. The number of new highs totals 1.3 million—the seventh year in a row that the million mark has been surpassed. Business men are spending $18,300 million to expand and improve their plant and equipment—equal to the record expenditures of 1953. To meet these industrial needs, production of such materials as aluminium, copper, lead, zinc, rubber, coal and oil are soaring. Output of steel, the most universally used of all materials, has reached a record 117 million short tons this year.

The growth in business inventories, meanwhile, has not been able to keep pace with increased demands. The switch from cutting inventories, which influenced the business letdown of 1954, to building up stock has been but a minor factor in the over-all upsurge of 1955. Not only have sales in all major manufacturing industries risen faster than inventories, but stocks are still below their high points reached two years ago.

Two economic elements are being watched with particular care as the year ends. One is the agricultural situation, with net farm incomes falling 10 per cent in 1955. This is due in large measure to the record supplies of most crops that are weighing down on farm prices. But this is not a new problem, as farm income has been declining since 1951. Because of the smaller number of farmers, however, the drop in per capita farm income has been much milder. In fact, total farm assets, including the value of land and equipment, have been rising. Another is the rise in consumer credit, which has played a significant part in sustaining the level of consumer demand. Americans now owe a record $122,000 million, including home mortgages. While this this figure is lower in relation to discretionary spending power than in many past years, it has placed some strain on the nation's credit facilities. Business loans have expanded rapidly this year as production requirements have grown. With over-all private demands for credit sharply increased, interest rates on most types of borrowing have risen. The Government has shifted its monetary policies from the "active ease" that characterized the 1954 dip to one of greater stringency. As demand for goods has put more pressure on supplies and prices, the Government has raised the interest rates on bank borrowings and tightened the terms under which new houses may be bought.

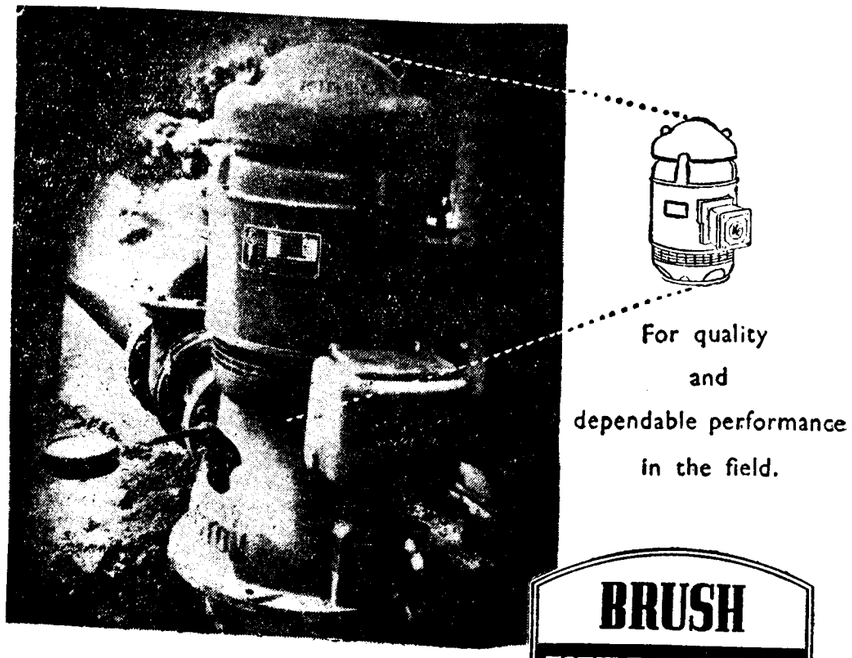
Timely actions such as these have helped prevent dangerous inflationary excesses, and have helped keep the 1955 economic upsurge in the U.S. on sound and stable ground.

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Paid-Up Capital	... Rs. 2 Crores
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Total Working Funds (As on 31.12.54.) Over	... Rs. 62 Crores

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Special Articles

INDUSTRIAL ARCHITECTURE

By

MR. BENJAMIN POLK. AIIA; AIA.

(Mr. Polk of Stein and Polk, Architects, Town planners and Consultants, New Delhi Office, is a member of the Indian Institute of Architects and of the American Institute of Architects and has been engaged in architectural work throughout South-East Asia.)

INDUSTRIAL architecture is based on the solid foundation of function and economy, but the full meaning of these two touchstones of investment is not always recognised. It is well understood that the investor in new land and buildings, also the production engineer as well as the plant manager form a team whose needs must be met somehow. But this is only a minimum requirement. The architect and his structural engineer can, being worthy of their hire, carry the process of planning for factories to a technical point far beyond the simple design for production flow. But to do so it must be realised that it is in the early stages of discussion that the architect's basic commodity in this field, namely inventive experience with the fundamentals of functional planning, can be most fully utilized by his client, and if there is any basic world trend in industrial planning it is this that teamwork in plant conception is essential. Thorough knowldge of construction and fabrication processes and their relative costs, a creative approach to the theory of structural design, an experience of the relative durability of building materials, and an acquaintance with practice in other parts of the world must all go into this preliminary planning, for the buildings are to be built only once and the effectiveness of the repetitive processes which they house is in a large measure determined at this early stage.

After initial planning and layout decisions are once taken the range of manoeuvrability, cost-wise and function-wise, is severely limited, and variations in design thereafter may not count for very much in the economy of the project taken as a whole. The planners must have early free discussions between themselves and with their client before limiting decisions are taken. Without losing sight, then, of the explicit programme of our given manufacturer, let us at once make a random survey of available choices from the existing trends in factory architecture.

A well-known trend in light manufacturing plants, for example, is to by-pass, by means of wide span roofs, the limiting idea that machine layout determines column spacing. Buildings planned for exact machine layouts often lack flexibility and when new machines or new methods replace the old, the structure becomes a most unpleasant affair to live with and may even have to be written off altogether. Longer spans and wider column spacing, uniformly good light, and attention to circulation of traffic to and from and throughout the plant avoid these future headaches.

Thin-shelled reinforced concrete structures offer some of the most interesting possibilities in this connection and a most economical use of the material. The roofs may be of a barrel shape. Even domical or hyperboloid shells have their uses. Wide span shells can be as thin as 2". But the structural theory involved is not a matter of simple design by tables and only an experienced designer can achieve the functional and financial benefits for his client. Factory spaces of thin shelled concrete built recently at the British New Town of Stevenage provide a column spacing at intervals of only 25 feet x 50 feet, are provided in adjacent units of 5,000 square feet each and at a cost of 50 shillings per square foot, but this is by no means the measure of the potential of this system of construction. Greatly increased spans up to 100 feet with various combinations of north lighting or monitor lighting can be provided with economy by this method.

Also in the realm of possible economical solutions for long span design, this time using steel, are so-called "space-frames" or three dimensional trusses often prefabricated. However, much ingenuity has been wasted in designinig and constructing space frames for intermediate spans where no economy can be effected, and where there is no offsetting advantage to the dangers of corrosion. It should be urged on Indian steel manufacturers greatly to diversify their standard structural sections especially in the smaller sizes. Great economy of design will be the result. The range of shapes and sizes provided by American Institute of Steel Construction standards may illustrate the point. A third technique in the spanning of large areas is in the use of the theory of 'limit design' by means of which much of the residual strength which any structure possesses may be utilized to carry loads. This type of engineering analysis has not to the author's knowledge been used in India.

All of these three materials-saving possibilities illustrate a most interesting difference between the economies of areas where labour is cheap relative to building materials as in India, and of areas where the reverse holds true as in the United States. And a very important point is brought to light, namely that the economy of refined structural design, which almost at once produces fine architecture, is inherently natural to the Indian scene. It needs only to be developed on the twin fronts of architectural engineering and construction technique to be made an effective force in Indian industry. Progress is under way but it will be some time before industrialists as a group know what they can rightly demand from their Architects, Engineers and Contractors. The supply of design and construction talent can only follow the demand, and forehandedness and vision on the eye of what promises to be a big national building programme is required. The concrete structures of Maillart in Switzerland and of Nervi in Italy illustrate these principles of structural economy to a very high degree.

By way of contrast, a labour-saving as opposed to a materials-saving technique, but one not without its uses in India, is the use of 'lift-slabs' for floors and roofs. The large slab lifted into place in the field by cranes is actually wasteful of materials but saves a very great deal of labour on a large repetitive job if the contractor is equipped to handle the work. "Vacuum concrete" is another American development readily adapted to this process giving a stronger and better finished slab.

Before we leave the field of structural design, notice should be taken of a method for increasing economies in short span construction as well as in long spans—namely the prestressing of concrete parts. The simple

construction frame used in stone at Fatehpur Sikri is being advanced one step further in concrete. Both in Delhi and Calcutta this new building product is being manufactured, but the real advantage of the new method has not yet been fully exploited, and the effective joining of the parts is neglected. But it is a material-saving system and hence is destined for further development here. Even the pre-stressing of concrete placed in situ is already being undertaken with success in India for large factory roof spans and, as familiarity with high quality methods and materials spreads, the cost of this type of construction will further go down. Precast, but not necessarily pre-stressed, concrete beams and roofing planks are definitely in the short span picture, and have of course already been widely used for auxiliary buildings such as offices or houses. One method developed for tieing in these parts is by casting floor slabs over the projecting steel of the beams. This may be done by a process of "gunniting" or forcing the concrete on under-pressure as done in the Concrete Association building in Bombay. Air-cell concrete fillers of the type manufactured in Delhi have both insulation and structural value. The gunnite process incidentally should be more widely used in India particularly for specialized reinforced concrete shapes and shells.

Akin to the problems of effectively jointing pre-stressed concrete parts is the welding of members in steel construction, especially parts of small trusses, instead of using cumbersome riveted connections. When structural continuity by means of welding is provided throughout the entire frame we again have brought into being a new building material which has its own particular laws, uses, economies, and aesthetics in the hands of a skilled designer, and these must be harnessed to the client's service. A point to note is that steel construction for factories remains ahead of the field in the ease with which changes or adjustments may be made after construction is completed.

Throughout this note on contemporary factory structure I have not intended to imply any necessary chronology in the architectural thought process. Quite the reverse,. Considerations of day-lighting and electric lighting ventilation or air conditioning levels or even roof drainage may turn out to be determining factors, as in certain textile processes, and in these cases the architect must have had year-in and year-out experience with the differing Indian climates if problems of heat, rain, dust, glare and shadowing of the work are to be solved. The sky-brightness factor in the North Indian winter is about three times that in South England. The result in terms of desired degree of fenestration is clearly enormous. The Industrial Welfare Division of the Department of Labour and National Service of the Commonwealth of Australia publishes full tables and practical recommendations in the geometry of sun movements and by the use of these tables good two or three directional daylighting of the work throughout the factory can be achieved with any orientation of the building.

The author has desired and constructed here concrete roof structures which act both as a louvre for uniform lighting without sun or glare, and also as an enhancement to the natural ventilation. Closable louvers of shock-concrete were provided to serve at once as protection against sun and dust and as security at ground level. Shock-concrete frames and sash for doors and windows were also specially designed and used, as the prevalence of termites militated against wood and a location by the sea meant corrosion of steel windows by salt air. But verandahs remain the original and by far the best "sun-breaker" in spite of the claims to novel inventions put forth by M Le Corbusier at Chandigarh. Desert cooling, the method which utilizes the cooling effect of natural evaporation of water may be in a dry area a better allround solution, than full air-conditioning and incidentally is a great money saver when applicable.

ECONOMIC RECOVERY IN FRANCE

THE economic recovery of metropolitan France in recent years offers an interesting subject for study. In recent months, France has shown a strong recovery from the relative stagnation that marked 1952-53. Domestic economy has witnessed a significant expansion of production in an atmosphere of price stability. The growth of exports has helped to increase foreign exchange earnings. Fixed investment, particularly in housing, agriculture and transport, has risen. And this expansion has taken place without rising prices, with some progress in the liberalisation of imports and with a strengthening of the foreign exchange reserves. These facts have been lucidly brought out by a survey of France' economic conditions conducted by the Organisation for European Economic Co-operation in October this year. The survey will be found particularly illuminating to those who have been familiar with only the economies of the sterling area countries, and particularly their trade trends and balance of payments position.

France's real gross national product rose by over 5 per cent in 1954 and the increase is continuing in 1955 at about the same rate. The index of industrial production (excluding building) in the first half of 1955 was about 10 per cent higher than in the first half of 1954 and some 6 per cent higher than in the second half after seasonal adjustments. At the beginning of the recovery it was the consumers' goods industries which rose most. But since the summer of 1954, their upward trend has been slower—except in the case of durable goods—while other branches, particularly iron and steel, electrical and engineering industries and chemicals, have taken the lead in the expansion. The growth of total demand has assured the continuance of a high level of employment; there is, the O.E.E.C. report significantly points out, hardly any unemployment, and under-employment, which is generally slight, occurs only in certain areas and trades.

France's balance of payments (excluding transactions with the rest of the franc area) improved steadily during 1954 and this tendency seems to have continued during the first half of 1955. The improvement of the ordinary current balance has been greatly reinforced by the considerable increase in extraordinary military receipts on defence account, which more than doubled between 1953 and 1954. The commercial trade deficit (imports and exports f.o.b.) dropped from $265 million to $123 million as a result of exports increasing more rapidly than imports. The improvement in the current balance, together with the higher extraordinary receipts, was significant to make possible both speedier redemption of the public external debt and an increase in the gold and dollar reserves of $334 million.

*

The following table illustrates Metropolitan France's balance of payments with the non-franc area:

	(Millions of dollars) 1953	1954
1. Imports f.o.b.	2,437	2,624
2. Exports f.o.b.	2,172	2,501
3. Trade Balance	—265	—123
4. Other net current transactions (excluding military receipts from North America)	—228	—103
5. Current Commercial Balance (3+4)	—493	—226
6. Military receipts from North America	+405	+799
7. Current Balance (5+6)	— 88	+573
8. Capital operations (errors and ommission included)	—149	—307
9. Deficit of the rest of the franc area, financed by Metropolitan France	— 60	— 11
10. Total Balance (excluding foreign aid) (7+8+9)	—297	+254
11. Foreign aid	+342	+186
12. Increase in reserves (10+11)	+ 45	+440
of which: Gold and dollars	+ 65	+334

It should not, however, be lost sight of that France's balance of payments has not improved equally with all monetary areas. If exceptional military receipts are excluded, the current deficit with the dollar area has hardly changed at all, the improvement on invisible transactions being offset by a worsening of the trade deficit. The trend of exports to North America has been disappointing. But the improvement in the current balance with the E.P.U. area is striking. The sterling deficit, though still considerable, has been reduced and a marked surplus has emerged with non-sterling Members. French exports to E.P.U. countries have, of course, benefited not only from the very favourable general situation, but also from the wide liberalisation of trade applied by most member countries.

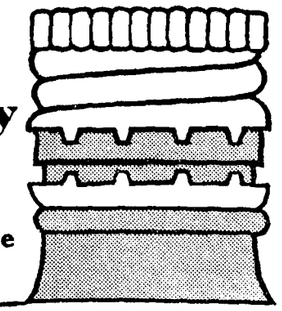
Trade between Metropolitan France and the rest of the franc area did not increase in 1954 and 1955 in the same way as transactions with foreign countries. It remained fairly stable in value, with a slight reduction in the trade surplus of the Metropolitan area. In 1954 there was a certain repatriation of private capital from the Territories.

The future outlook for the French economy is one of guarded optimism. If the Government's objectives, according to the second Modernisation and Equipment Plan, are compared with the known results for 1954, the gross national product would have to increase by about 5 per cent a year throughout 1955, 1956 and 1957, with industrial production rising at an annual rate of 6 per cent and agricultural production by two per cent. The foreign trade balance in 1955 (imports and exports f.o.b.) is officially expected to show a deficit similar to that of 1954, imports and exports both rising by some $400 million. Net receipts on invisible transactions should remain roughly unchanged. The current balance, including military receipts, is expected to show a surplus of $580 million. Official forecasts for 1956 suggests an overall situation much less favourable as a result of a marked reduction in military receipts and the end of foreign aid. Receipts from these two sources combined are expected to fall from $830 million in 1955 to $385 million in 1956. The possibility of any increase in reserves in 1956 depends upon an improvement in current non-military transactions, and no such improvement is envisaged in the estimates submitted by the French authorities to the O.E.E.C. According to these estimates, a very moderate increase in imports is expected, with exports doing no more than keep pace. Exports to North America, are thought likely to continue at the low level at which they have remained for the last three years.

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The Metal Box

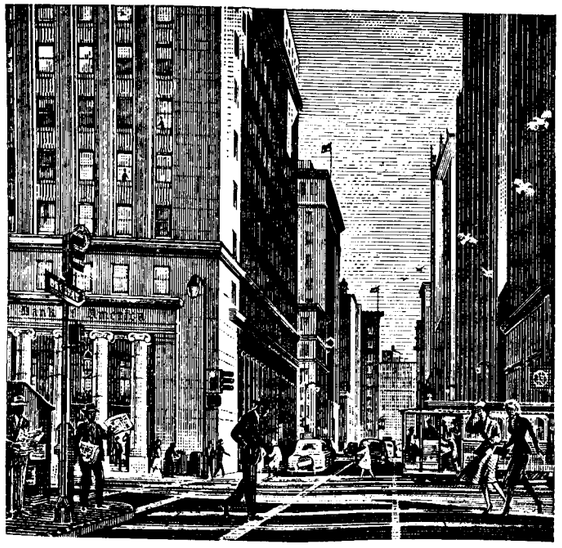
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(Figures of Overseas Branches are as of June 24, 1955)

RESOURCES

Cash and Due from Banks	$ 1,446,058,783.14
United States Government Securities and Securities Guaranteed by the Government	2,241,000,424.34
Federal Agency Securities	173,596,191.18
State, County, and Municipal Securities	590,106,961.58
Other Securities	109,285,913.01
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,252,410,322.99
Other Loans and Discounts	3,049,681,759.30
Accrued Interest and Accounts Receivable	50,756,654.10
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	80,437,247.09
Other Real Estate Owned	1,884,091.63
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	231,605,567.34
Other Resources	2,764,055.93
TOTAL RESOURCES	$ 9,240,087,971.63

LIABILITIES

Capital	$ 150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits	122,206,954.85	
Reserves	5,647,746.64	
TOTAL CAPITAL FUNDS		$ 477,854,701.49
Reserve for Possible Loan Losses		66,752,053.04
DEPOSITS Demand	$ 4,160,622,659.36	
DEPOSITS Savings and Time	4,229,974,345.42	8,390,597,004.78
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		233,983,923.42
Reserve for Interest Received in Advance		41,093,906.31
Reserve for Interest, Taxes, etc.		29,806,382.59
TOTAL LIABILITIES		$ 9,240,087,971.63

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Condensed Statement of Condition June 30, 1955

RESOURCES

Cash and Due from Banks	$ 49,933,360.20
United States Government Obligations, direct and fully guaranteed	23,490,190.62
Other Securities	8,719,182.00
Loans and Discounts	64,619,678.74
Accrued Interest	380,962.41
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	47,986,603.73
Other Resources	531,612.85
TOTAL RESOURCES	$195,680,350.55

LIABILITIES

Capital	$ 10,000,000.00
Surplus	4,000,000.00
Undivided Profits	417,506.02
TOTAL CAPITAL FUNDS	$ 14,417,506.02
Reserve for Possible Loan Losses	830,295.83
Deposits	131,651,837.07
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills and Notes	48,071,649.52
Reserve for Interest Received in Advance	139,149.84
Reserve for Interest, Taxes, etc.	578,932.27
TOTAL LIABILITIES	$195,680,350.55

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BA-1

The Business World

VIEWS ON THE ELECTRICITY BILL

By

CROESUS

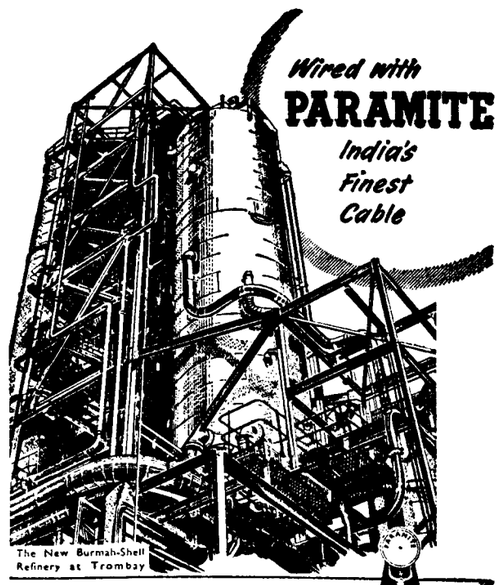
SOME interesting observations have been made by the Bombay Shareholders' Association (B.S.A.) on such of the provisions of the Electricity (Supply) Amendment Bill, 1955 as affect the interests of investors. Needless to say, these relate to questions like Standard Rate, arrears of depreciation, etc. which have a direct bearing on the rate of dividends that electricity undertakings can pay to their shareholders.

The B.S.A. is opposed to the principle of linking Standard Rate with the Bank Rate for very good reasons. As it pertinently remarks, "the Bank Rate is normally an index of short-term rate of interest, while the return on capital of electricity undertakings must be based on long-term interest considerations." Again there does not seem to be any country in which the return on capital of electricity concerns is linked thus. Nor is the formula applied in the case of any other industry in our country. Not even the return on the capital of a banking company is so determined. The B.S.A. proceeds to argue, therefore, that, if at all any link is to be established, such should be "not with the Bank Rate, but with the yield on long-term Government loans which, for several years, is steady at 4 per cent." With a differential of two per cent between this rate and the Standard Rate, shareholders in electricity undertakings would get a return of six per cent, if the suggestion were to be accepted by Government. That would also lead to the Standard Rate being in line with the prevailing yield of six per cent tax-free on shares in first class electricity companies such as, for instance, those of the Calcutta Electric Co., the Ahmedabad Electric Co. and the Tata Hydro-Electric Co., among others. A six per cent tax-free yield is by no means the highest yield on good electricity equities. There are several instances where these shares have been yielding a higher return still.

The yield on preference shares of electricity companies also is six per cent or higher. It is interesting to note that this (six per cent tax-free) is about the rate at which preference shares of a number of new industrial undertakings also have been issued lately.

In these circumstances, the B.S.A.'s stand, that it is "highly unsatisfactory that Government should seek to fix the Standard Rate at 5½ per cent so long as the present Bank Rate is 3½ per cent", is unexceptionable. The Association ought to have concentrated on pressing this particularly strong and reasonable point, but unfortunately it has stultified itself, as it were, by urging an alternative. It says: "Should Government find it not possible to alter the basis at this stage, we would urge fixing a minimum of six per cent with a differential over the Bank Rate of 3 per cent." If this is all that the Association wanted, it need not have gone about discussing the principle involved. The Bill has still to be passed and it is not too late yet for Government to adopt the first, and the undoubtedly more sensible, suggestion of the B.S.A. I would urge the Association also to pursue this point, especially if and when it is summoned to discuss it with Government representatives before the Bill comes up for consideration.

In regard to the provision in the Bill seeking to prevent electricity concerns from declaring a dividend in excess of three per cent per annum, without the sanction of the State Government, so long as any arrears of depreciation remain to be written off in their books, I am happy to find, that the B.S.A. has extended unqualified support to the point of view advanced by me ere now in these columns, albeit on different grounds. That only means that the demand for doing away with the proposal in question is just and reasonable. The point made by this premier shareholders' body in the country, whose avowed aim is "to protect the small investors and to induce the small saver to invest in industrial concerns", is that "such a provision would handicap materially the working of most electricity undertakings in India, as they all have substantial arrears of depreciation". Together with the fixing of the Standard Rate at two per cent above the Bank Rate, the ban on electricity companies, in arrears of depreciation, to pay any dividend in excess of three per cent is certain to make investors panicky. Surely, it cannot be the intention of Government, as the B.S.A. has observed, to reduce the return on capital invested in electricity undertakings thus and thereby to cause panic to existing investors, on the one hand, and to discourage new investors, on the other. The need today of most electricity concerns is more capital for expansion and Government ought to encourage the flow of capital to these and not discourage and damn it, as it seems, unwittingly, to be intent on doing now.



The New Burmah-Shell Refinery at Trombay

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BUSINESS NOTES

PROSPECTS OF TEXTILE EXPORTS TO JORDAN

THANKS TO the sustained efforts of the Cotton Textiles Export Promotion Council, India has been able to regain some of her lost or very-nearly-lost overseas markets. The latest instance of this is Jordan. According to a study undertaken by the Council, it would now appear that prospects of exports of cotton textiles to Jordan are exceedingly bright.

Comprising the former Kingdom of Trans-Jordan, now known as East Jordan, and a portion of the original British Mandated territory of Palestine, that is, West Jordan, Jordan accounts for an annual import of cotton textiles worth about JD 10,00,000, with India's share hardly exceeding JD 12,000. If Indian textiles did not evoke much interest in Jordan so far, it was not because of any antipathy of the Jordan consumer, but due to the latter's ignorance of the varieties available from India. Considerable delay to deliver goods against orders was another deterrant factor for which India has herself to thank. Be that as it may, it is now evident that there is ample scope for exports of Indian cotton textiles to Jordan, judging from the fact that the varieties in demand there are generally those in which India can compete successfully with other suppliers.

In Jordon too, as in the case of markets in South-East Asia, India has to contend with Japan's ubiquitous rivalry. Over just one year, Japan's exports of piece-goods increased from 1.76 million yds. (in 1953) to 2.60 million yds. (in 1954). Over the same period, the other main supplier of cotton textiles to Jordan, namely, the U.K., suffered steady declines from 5.51 million yds. to 2.21 million yds. The latter compares with as much as 7.70 million yds. in 1952. The U.K.'s exports of textiles to Jordan in 1955 (up to August) amounted to only 1.04 million yds. as against 1.99 million yds. from Japan for the same period. Indian textile exports to Jordan have been steadily increasing from 0.36 million yds. in 1953 to 1.07 million yds. in 1954 and to 1.91 million yds. in 1955 (up to August). If Indian shippers and mills take enough care to see that prompt deliveries are effected, there is no reason why India cannot maintain this improvement, nay, even increase her textile exports to Jordan in the months to come.

GREAT EASTERN SHIPPING COMPANY

IN THE seventh annual report of the Directors of the Great Eastern Shipping Company Ltd. for the year ended 30th June, 1955, is to be found an echo of the grievance voiced by the Chairman, Mr. A. H. Bhiwandiwalla, last year on behalf the less vocal section of the coastal operators. On revenue considerations, this company decided to employ its larger vessels in overseas operations and entered into contractual commitments in pursuance of it. Chartered ships were engaged to carry out the Company's coastal obligations. The restrictions suddenly clamped on the use of chartered vessels on the coast upset the company's arrangements, necessitating the diversion of the bigger vessels, scheduled to carry cargo overseas, to the coastal trade. In consequence, the company had to honour its obligations under the contracts in the distant trade by employing substitute ships at rates in excess of its contractual rates and rest content with lesser remunerations at home. This episode should cause re-thinking on the question of employing chartered ships on the coast in certain situations such as the present one where higher revenues from overseas shipping services resulting either in earnings of foreign exchange or economy in its expenditure, had to be forgone.

Great Eastern Shipping's gross profit for the seventh year, which stood at Rs. 30.34 lakhs shows a decline of Rs. 9.98 lakhs below the previous year's all time high of of Rs. 40.29 lakhs. This decline has been registered in a year when the level of gross freight earnings was high. The loss inflicted by the reversal of the company's contract schedule offers parts of explanation for this decline. But there were other important factors which contributed to it. The report mentions two causes, namely, prolonged delays at coastal ports and Government's refusal to allow an adequate increase in freight rates in spite of a rise in operating costs.

After appropriating Rs. 18.73 lakhs to depreciation and Rs. 1.23 lakhs to the Managing Agents' commission, a net profit of Rs. 10.38 lakhs emerges for the year of account. To this is to be added the preceding year's carry-forward of Rs. 1.10 lakhs which gives a total amount of Rs. 11.48 lakhs for final appropriations. The Directors have recommended appropriations in the ratios of Rs. 10 lakhs to the Reserve Fund and Rs. 1.48 lakhs to be carried forward to the next year. Tax liability is to be met out of the Taxation Reserve. The Directors have come to the conclusion that the capital structure needs to be fortified. The present ordinary share capital of Rs. 50 lakhs is considered inadequate for a company which maintains a fleet costing Rs. 2.5 crores and has a loan liability of Rs. 65 lakhs to the Government. Their scheme of capital expansion envisages raising of preference share capital of the value of Rs. 25 lakhs and issuing bonus shares of the total value of Rs. 10 lakhs to be drawn from the Reserve Fund. The bonus shares are proposed to be issued in the ratio of one fully paid ordinary share for every five ordinary shares held. Thus in place of dividend the shareholders will be awarded bonus shares. The sanction of the Controller of Capital issues has been obtained for the issue of bonus shares and the proposal now awaits approval of the shareholders. This will be the second issue of bonus shares in the company's short career of seven years.

AMERICA TO DUMP COTTON?

ALTHOUGH THE United States Agricultural Secretary, Mr. Ezra Benson, has been at pains to create the feeling that America is not thinking in terms of dumping cotton in world markets in her attempts to solve the U.S. cotton surplus disposal problem, recent reports from Wall Street suggest that the Agricultural Secretary is lately seriously considering the possibility of selling large quantities of U.S. surplus cotton overseas at cut-rate prices. Evidently, the steady and appreciable increase in America's cotton output from month to month, even in the face of severe limitations on acreage, has prompted, or rather precipitated, this move.

According to the November Report, raw cotton production in the United States this season is 14.6 million bales, which represents an increase of over 800,000 bales as compared to the previous estimate. This has been due mainly to the phenomenal increase in her per-acre cotton yield. "Nearly as much cotton is being produced this year on 16.5 million acres as in 1951 or 1952, when the acreage was at about the 26.5 million level", it has been stated. Mr. Benson probably believes that even such desperate measures, as selling cotton at cut-rate prices, would be condoned by other cotton-producing countries in the world. If so, he is mistaken. It is surprising that this same Mr. Benson, who is now reported to be convinced of the inevitability of this step, who argued, earlier in the year, that the State Department did not wholly agree with this proposal.



What is the measure
of an Industry's importance ?

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THE TATA IRON AND STEEL COMPANY LIMITED TN. 573



Did then Mr. Benson keep on referring to a limited disposal of only one million bales of low grade cotton at world prices, and that too, to be taken up only as from the New Year (1956), just as a compromise between himself and the State Department? Whatever the reason, this year's bumper crop, which threatens to increase the already big glut by as much as three million bales, has aggravated the surplus worries of both Mr. Benson and the State Department, which probably explains this reported decision to launch a cotton disposal plan at cut-rate prices. It may be noted here that, although the Secretary of Agriculture is endowed with the power "to sell cotton for new uses or for export at any price he may administratively determine", this authority to sell for export at reduced prices has not been exercised since 1947. The proposed scheme of disposal of cotton at cut-rate prices is thus the first instance of a departure from the usual practice.

The question arises now whether America's plan to sell cotton in the world market at a price lower than in the domestic market might not be legitimately construed as "dumping", especially so when it involves selling government stocks at a loss. Ironically enough, the threat, that the U.S. Congress might order Mr. Benson to dump large amounts of cotton overseas, is cited as one of the reasons why the Administration has started insisting on selling more cotton abroad at cut-rate prices. One cannot help wondering where exactly to draw the line between the American version of selling at cut-rate prices and dumping as it is understood in ordinary parlance!

STEEL FOR WAGONS

LAST WEEK'S conference between the representatives of seven wagon manufacturers and the Railway Board once again underlined the stiff aspect of the problem of inadequacy of steel supplies holding up the execution of the expansion projects of engineering industries. The acute shortage of steel, which has created conditions of near-crisis in several engineering units in Western India, was highlighted by the Chairman of the Bombay Region of the Engineering Association of India in his annual speech early in this month. The grievance specifically made out by him on that occasion was the indifferent treatment meted out to the units of the region in the private sector in the matter of allocation of supplies of steel. But last week's conference on wagon manufacture offers proof that steel threatens to be the trouble spot elsewhere also even when private units undertake orders on government account.

Briefly, the problem is to raise home manufacture of wagons as much to the point of self-sufficiency as practicable and during the next Five-Year Plan to meet the requirements of the railways at an annual rate of 25,000 to 30,000 wagons. The seven manufacturers who participated in the conference expressed their readiness to produce 20,000 wagons during the first year of the next Plan, namely, 1956-57, on the absolute condition that the requsite quantity of steel is delivered in keeping with their schedule of manufacture. The requirements of steel for a broad gauge wagon are 12 tons and for a metre gauge wagon 8 tons. An average of 10 tons per wagon would err on the side of lower estimation for the reason that the proportion of orders for broad gauge wagons is substantially high. But even assuming an average of 10 tons, the aggregate requirements for the next year come to 200,000 tons. Spokesmen of the Railway Board found themselves unable to accept a commitment of this order. The conference, therefore, ended inconcisively with a provisional suggestion that the manufacturers should proceed with their schemes of higher production. The value of this suggestion cannot be rated high for the present and it is certainly difficult for the producers to prepare their production schedule for a short period of one year so long as uncertainty hovers over the supply of the basic material. If imports are to be reduced to the minimum for a simple requirement like wagons, it is essential that more positive measures should be taken than mere exhortation to go ahead. The possibility of earmarking a definite quota out of the supply of 30,000 tons of steel, which this country is to receive from Russia in 1956 in terms of the official agreement of Tuesday last, should be examined to remove the uncertainty.

COTTON IMPORT POLICY

THE GOVERNMENT of India's latest policy statement in respect of the import of cotton has been welcomed in trade quarters. In the opinion of these, the decision to permit free imports of cotton of 1.1/16" and above from non-dollar area countries marks a realistic approach to the problem of imports of non-dollar area cotton, which has been on the wane for over a year now, thanks to the linking up of import of certain non-dollar area cotton with that of American aid cotton. The import of East African cotton during the first two months of the current season at 23,498 bales, for example, was in sharp contrast to that of 47,042 bales, recorded in the corresponding period of the previous season.

The announcement is significant, in that it is the first acknowledgement, albeit indirectly, by the Government, of the common feeling among cotton men that the gift-cotton scheme could not be put through effectively. Thanks to this announcement, the supposed link between the import of East African cotton and that of American aid cotton has been severed; henceforth, the issue of licences will not be linked with the purchase of American cotton under the aid programme. This will naturally result in freer imports of East African cotton, which is bound to grow in volume as it is in great favour in this country.

The restoration of the facility previously provided to importers to import cotton on their own account has also been welcomed by mills and importers alike.

COST ACCOUNTANCY

AN EVENT of some significance to the development of industry on rational lines which occurred early this week has attracted less than the attention it deserves. It relates to the convocation of the Institute of Cost and Works Accountants, Calcutta, where the address was delivered by Mr. T. T. Krishnamachari. The suggestions made by the Minister as well as by the Principal of the Institute on that occasion need to be acted upon in the interest of a proper system of cost control in industrial establishments to eliminate wasteful delays of time, energy and materials which have a positive bearing on production costs and competitive efficiency.

Cost-consciousness has recently begun to register itself with industrial managements in this country, but the case for early acceptance of cost and works accountancy requires to be pressed with a greater sense of urgency. Labour's insistent and ever-increasing demands for a larger share in emoluments and benefits of industry seem destined to receive greater encouragement from official quarters and in view of this likely development it is certainly necessary that scientific assessment of costs, job evaluation, time and motion studies, and quality control ought to be introduced as integral parts of industrial management. The value of this reform is probably more urgent in the interest of promoting the competitive efficiency of industrial units. Mr. Krishnamachari indicated that Government would very likely press industries approaching the Tariff Commission for protection (and it may be added, also

for determination of fair prices) to come armed with scientific estimates of their production costs to sustain their claims. This counsel must necessarily be confined to the larger units since employment of cost accountants has its obvious limitations. But more specifically, it cannot be restricted to the private sector. State undertakings have hardly a better record in this respect and it will not be a surprising revelation to be informed that normally they go without this modern scientific aid. If a representative example were asked for, it would be easy to point at the emphatic recommendation made by the Estimates Committee in its recent report on the Hindustan Shipyard Limited. A start in collecting data on job analysis is to be made in the yard only now after three out of five years of the technical agreement with the French firm of shipbuilders have run out. Until a suitable system of cost control based on actual performance in the yard is evolved, the handicaps in the form of higher costs and delays in construction will not be removed. In the meanwhile, the taxpayer will continue to bear the incidence of higher subsidy to the purchaser.

MEXICAN SULPHUR

THE MEXICAN GULF SULPHUR CO., New York, through its subsidiary, Cia. Azufrera Mexicana, Mexico, is the pioneer Corporation producing sulphur by the Frasch process outside of the U.S.A. The company started production of this dark sulphur in 1954 and since then has shipped over 75,000 long tons to various sulphur-consuming countries. In India, the first cargo of 4,400 tons of this new kind of sulphur arrived in September last. The sulphur is stated to be good for producing sulphuric acid by the "contact process' which has been adopted by the Fertilisers and Chemicals (Travancore) Ltd., (FACT), Alwaye, who are the exclusive agents for supply and distribution in India for the product of the Mexican company.

The present annual consumption of sulphur in India is estimated at 60,000 to 70,000 tons. The FACT alone imports about 20,000 tons of yellow bright sulphur a year. With the establishment of three new steel plants and the proposed expansion of the existing industrial capacities in the next few years, India's requirements of sulphur are expected to go up by 35,000 to 40,000 tons.

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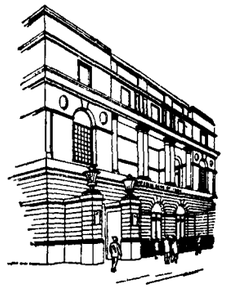
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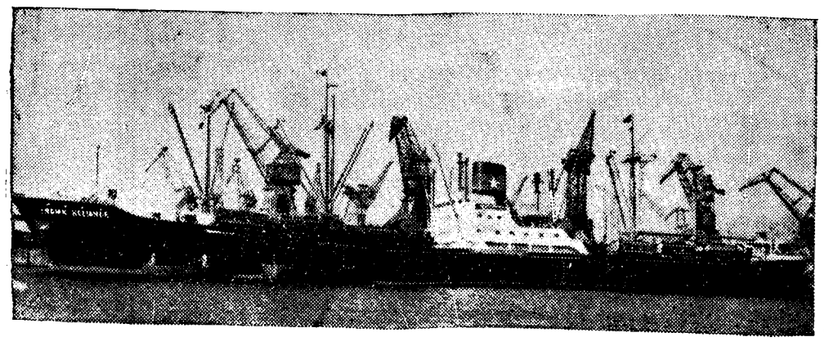
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COMPANY AFFAIRS

INDIAN CABLE CO., LTD.

The Directors' Report and the Audited Accounts of the Company for the year ended March 31, 1955, show that after taking into consideration Rs. 19,70,066 being balance brought forward from last year and providing Rs. 10,90,198 for Depreciation, Rs. 2,00,000 for loss on Exchange, transferring Rs. 33,02,495 to the Taxation Reserve, Rs. 6,66,667 to the Basic Stock Reserve and Rs. 2,42,349 to the General Reserve, there remains a balance on the Profit and Loss Account of Rs. 49,70,583 which has been recommended to be disposed of as follows:

In payment of a Dividend at the rate of 10 per cent per annum and a Cash Bonus at the rate of 2½ per cent per annum, free of income-tax on both Preference and Ordinary Shares for the year under review:

On Preference Shares ..	Rs.	1,60,969	
On Ordinary Shares ..	„	19,11,152	Rs. 20,72,121
Leaving a balance on the Profit and Loss Account of			Rs. 28,98,462

In view of the instability of the copper market, the Directors have set aside a sum of Rs. 6,66,667 to the Basic Stock Reserve. This Reserve will then stand at Rs. 20,00,000 and will be available to meet any losses in case of a substantial fall in copper prices. The Post-War Refund of E.P.T., amounting to Rs. 2,57,651, has been transferred to General Reserve and this, together with the sum of Rs. 2,42,349 set aside this year from Profit and Loss Account, brings the amount standing on General Reserve to Rs. 60,00,000. The reserves of the Company will then total Rs. 1,16,00,000 excluding the undistributed balance on Profit and Loss Account.

As an indication of the increased production achieved during the year under review, the consumption of the Company's principal raw materials, Copper and Rubber, exceeded the consumption of the previous year by 22 per cent and 26 per cent, respectively. The production achieved during the year was the highest in the history of the Company. Sales showed an increase of 51 per cent over the year 1953-54 and an increase of 60 per cent over sales for the year 1952-53.

MCLEOD AND CO., LTD.

The Statement of Accounts of the Company for the year ended December 31, 1954, shows that its profit for the year amounts to .. .. .. Rs. 24,38,923

to which must be added—			
Surplus on Sales of Investments	Rs.	1,870	
Dividends forfeited ..	„	3,261	
E.P.T. Post-War Refunds (Net)	„	60,448	
Balance brought forward from 1953	„	1,07,086	„ 1,72,665
Making a total of			26,11,588
Out of this amount, the Directors have made a provision for Taxation amounting to ..	Rs.	9,20,000	
and have set aside the following sums—			
To General Reserve ..	Rs.	3,13,754	
To Convertible Notes Redemption Reserve ..	„	2,00,000	„ 14,33,754
Leaving a sum of			.. 11,77,834

from which must be deducted—

Interim Dividends for the year ended December 31, 1954, declared payable by the Directors on July 6, 1954—

On 10,000 five per cent Cumulative First Preference Shares, subject to deduction of tax (Gross)	Rs.	25,000
On 40,000 five per cent Cumulative second Preference Shares, without deduction of tax ..	„	1,00,000

Second Interim dividends for the year ended December 31, 1954, declared payable by the Directors on January 3, 1955—

On 10,000 five per cent Cumulative First Preference Shares, subject to deduction of tax (Gross) ..	Rs.	25,000	
On 40,000 five per cent Cumulative Second Preference Shares, without deduction of tax ..	„	1,00,000	Rs. 2,50,000
Leaving a balance to be carried forward ..			1,87,834

which the Directors recommended should be distributed as follows—

Dividend @ 17 per cent per annum on 40,000 Ordinary Shares or Rs. 17 per share for the year ended December 31, 1954 ..		6,80,000	
Dividend @ 12 per cent per annum on 50,000 Deferred Ordinary Shares or As. 19.2 per share for the year ended December 31, 1954 ..		60,000	7,40,000
Leaving to be carried forward			1,87,834

BABABUDIN COFFEE AND PRODUCE CO., LTD.

The Eleventh Annual Report of the Company, together with the Audited Balance Sheet and Profit and Loss Account for the year ended June 30, 1955, shows the net profit, after providing for depreciation, remuneration to Managing Agents and for taxation, as Rs. 25,403. This, together with the balance brought forward from last season of Rs. 32,050, amounts to Rs. 57,453. After paying the Dividend of Rs. 18,000 on Preference Shares, the balance amount available for disposal is Rs. 39,453 which the Directors recommend to be appropriated as under:

Payment of 15 per cent Dividend on Ordinary Shares	Rs.	30,000
Balance to be carried down	„	9,453
TOTAL	Rs.	39,453

Estimates for season 1955-56:

Coffee	3600 cwt.	@ 94.40 per cwt.
Cardamoms	35 lb.	@ 1.77 per lb.

As usual, the coffee crop was delivered to the Coffee Pool and advance dividends were regularly received. The year's working resulted in some loss which was, however, more than offset by the additional dividends realised on previous season's crop. In view of the attractive prices for cardamoms, the Directors have decided gradually to open a portion of the uncultivated area on the estate with cardamoms. The acreage of the estate is as follows:

Coffee in bearing	538.75 acres	
Cardamoms	11.25 „	550.00 acres
Uncultivated lands		766.00 „
TOTAL		1316.00 acres

COMMODITY NEWS AND NOTES

SECOND SUGARCANE ESTIMATE

The all-India second estimate of sugarcane for 1955-56 puts the current year's acreage and production at 3,930,000 acres and 50,282,000 tons, as against the adjusted second estimate of 3,718,000 acres and 48,103,000 tons for 1954-55. This shows an increase of 212,000 acres or 5.7 per cent in area and 2,179,000 tons or 4.5 per cent in production over last year. Expressed in terms of gur, the production is placed at 5,079,000 tons in 1955-56, as against 4,858,000 tons in 1954-55.

The increase in acreage and production during the current year has been reported by almost all the cane-growing States, especially U.P., Bombay, Bihar, Punjab and Hyderabad, and has been attributed to favourable weather conditions at the time of sowing. Higher prices of cane and better irrigation facilities during the current year, as compared to last year, were also responsible for increase in area and consequent increase in production. Andhra has, however, registered a slight decrease in both area and production due to insufficiency of rains at the time of sowing.

This estimate covers the period generally up to the middle of October, 1955.

This estimate includes, for the first time, information in respect of Travancore-Cochin State, which accounts for 17,000 acres of area and 31,000 tons of production during 1955-56.

The estimate does not cover the entire area sown to the cane crop during 1955-56. Past experience has shown that the area at the second estimate stage forms roughly 95 per cent of the area of the crop finally reported.

COAL OUTPUT IN OCTOBER 1955

According to offical statistics released by the Chief Inspector of Mines in India, output of coal in collieries in India decreased from 3,379,551 tons in September, 1955 to 3,035,561 tons in October, 1955. Dispatches of coal, however, amounted to 2,663,362 tons in October, 1955 as against 2,894,017 tons in the preceding month. Coal stocks at pitheads decreased from 3,787,128 tons at the beginning of the month to 3,521,101 tons at the close of the month. During the month under review, 328 collieries were reported to be working with an average daily employment of 342,506 workers. Output per man-shift was estimated at 1.10 tons for miners and loaders, 0.59 tons for all workers underground and in open workings and 0.37 tons for all persons employed including surface workers. The percentage of absenteeism was of the order of 14.52. Coke plants at collieries and elsewhere produced 417,195 tons of hard, soft and other kinds of coke during the month and dispatches 239,274 tons.

ALL-INDIA FIRST ESTIMATE OF MAIZE

The All-India First Estimate of maize for the year 1955-56 puts the current year's area at 8,080,000 acres as against the adjusted first estimate of 8,929,000 acres for 1954-55. This shows a decrease of 841,000 acres or 9.4 per cent over last year. The decrease in current year's acreage under the crop has been reported by almost all the main maize growing states, particularly, Bihar, Uttar Pradesh and Rajasthan and has been largely attributed to unfavourable seasonal conditions at the time of sowing. The present estimate covers the period up to the middle of October 1955, and not the entire area sown to maize crop during 1955-56. Past experience has shown that the area at the first estimate stage froms roughly 90 per cent of the area finally reported.

FIRST ESTIMATE OF JOWAR

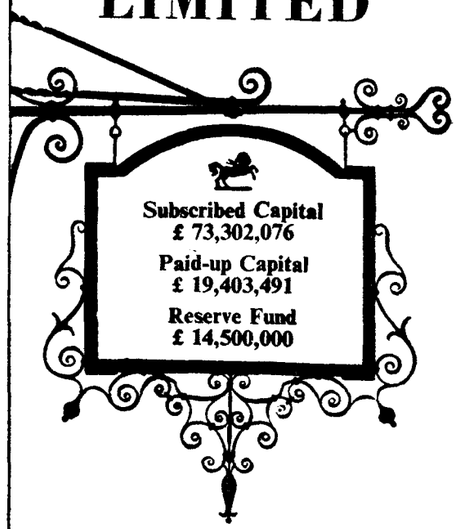
The all-India first estimate of jowar for 1955-56 puts the current year's area under the crop at 25,723,000 acres, as against the adjusted first estimate of 26,703,000 acres for 1954-55. This shows a decrease of 985,000 acres or 3.7 per cent over last year. The decrease in acreage under the crop during the current year has been shared mainly by Madhya Bharat, Saurashtra, Bombay and Madhya Pradesh and to a lesser extent by Kutch and the Punjab and has been generally attributed to unfavourable weather conditions at the time of sowing and late rains, especially in Saurashtra and Kutch. The decrease in acreage in these States has, however, been made up to some extent by the increases reported by Hyderabad, Vindhya Pradesh and Andhra due to favourable weather.

This estimate generally covers the period up to the middle of October 1955, and not the entire area sown to jowar during 1955-56. Past experience has shown that the area at the first estimate stage forms roughly 60 per cent of the area finally reported.

FORWARD TRADING IN TURMERIC

The Forward Markets Commission having considered applications for recognition received from associations concerned for the establishment of futures markets in turmeric has submitted its report to the Government of India. The Commission has recommended that a futures market should be established immediately at Sangli and that the Spices and Oilseeds Exchange Ltd., Sangli should be recognised for a period of 3 years and should provide hedging facilities for all varieties of turmeric. The Government of India have accepted the recommendations of the Commission and have decided to accord recognition to the Spices and Oilseeds Exchange Ltd., Sangli as soon as it has completed the modifications in its articles of association, trading by laws and working procedures to the satisfaction of the Commission

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A Letter to the Editor

MANAGEMENT IN INDUSTRY

Sir,

I was very much interested to read your Blue Supplement on "Management in Industry". Unfortunately the study has been abridged to 12 pages, which in my opinion is not adequate.

Industrial management has been made into a science in U.S.A., and industrial executives have very much replaced the financial tycoons of the first quarter of the century.

You have very rightly pointed out that little thought has been given to Management Training in the second Plan. The modern trend in management is that engineers and technologists have to play a greater part in management of industries, replacing the pure administrators and the lawyers.

In U.S.A. generally the best training for top executives is a basic degree in engineering, about 12 to 18 months study in a School of Business or Economics of Top Management, and if circumstances permit, a six months or a year's study in classics. Men with such background have brought the best results for Free enterprise system. In Soviet Russia the Industrial managers who run factories and large scale State enterprises have a thorough basic grounding in engineering, studies in economics, the classics being replaced by study in Party organization and doctrines. I am told that the industrial executive is one of the best trained in the Soviet Union.

"The Eastern Economist" has done a signal service to the country in bringing out this supplement, and I hope that at a future date it will bring out a far more detailed study of the subject. A scientific study of management is absolutely needed in India, as with our outmoded concept of management, we cannot hope to industrialize quickly and realize our cherished goal of a Prosperity State.

Yours faithfully,
P. E. MEHTA.

CALCUTTA,
Dated December 9, 1955.

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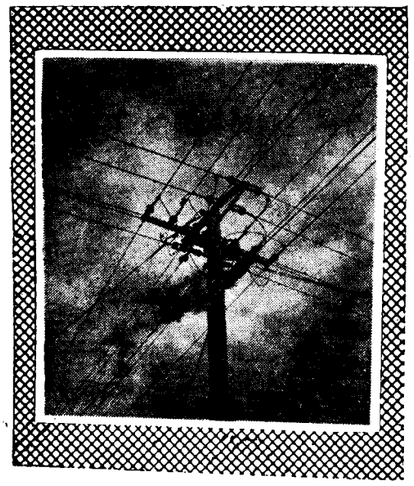
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Statement Of Accounts As On 30-6-1955

LIABILITIES

(i) Paid-up Capital	Rs.	87,50,000
(ii) Reserve Fund	Rs.	92,50,000
(iii) Deposits	Rs.	86,12,49,473
(iv) Other liabilities consisting of acceptances, endorsements, bills payable, bills for collection, etc.	Rs.	16,94,01,920
Total	Rs.	1,04,86,51,393

ASSETS

(i) Cash and balances with Bankers		Rs.	8,05,75,142
(ii) Investments:—			
(a) Investment in G.P. Notes, Municipal Loans and shares guaranteed by the central and State Governments	Rs. 39,92,74,144		
(b) Other investment	Rs. 1,24,87,023	Rs.	41,17,61,167
(iii) Loans and Advances ..		Rs.	42,30,76,802
(iv) Other Assets including bills receivable, etc.		Rs.	13,32,38,282
Total		Rs.	1,04,86,51,393

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
January 1955 ..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February ,, c ..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ,, c ..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ,, c ..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ,, c ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ,, c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ,, c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ,, c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ,, c ..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October ,, c ..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November ,, c ..	325.8	418.7	338.1	373.3	543.6	364 7	91.0	101.0	87.7	129.9
Week Ending										
15-10-1955 ..	319.4	408.2	330.0	370.2	559.0	358.8	91.0	100.7	87.2	124.1
22-10-1955 ..	320.1*	409.2*	332.2	370.9	559.4	360.3	91.0	100.8	87.0	125.4
29-10-1955 ..	322.8	409.7*	332.2	371.1	557.8	360.9*	91.0	100.7	87.2	127.0
5-11-1955 ..	330.6	417.9	335.2	372.7	546.8	365.9	91.0	100.8	87.5	128.0
12-11-1955 ..	329.7*	414.4	337.4	372.9	541.3	365.1*	91.0	101.0	87.5	129.0
19-11-1955 ..	320.7	419.5	338.4	373.6	542.4	363.2	91.0	101.1	87.9	130.8
26-11-1955 ..	322.2	421.4	340.8	373.7	543.4	364.5	91.0	101.0	87.9	131.9

c Average of weeks. *Revised

†Economic Adviser's Series. ††Reserve Bank Series.

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955*	324	340	216	129	319	364	360	130	319	134	133	131
1954 November	344	361	235	139	325	387	370	135	337	146	139	135
December	341	352	227	135	321	369	370	128	337	144	135	134
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	133
August	325	341	229	134	329	375	364	137	318	136	138	134
September	317	333	224	133	327	373	—	—	322	—	—	—
October	315	331	225	134	—	—	—	—	323	—	—	—

† Base 1944=100 *Average of available months.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	10-12-1955			3-12-1955			26-11-1955			19-11-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	94-15	92-11	93-14	98- 8	93- 8	95-15	98- 9	97- 2	97-13	97- 0	95-11	96- 6
Silver (per 100 fine tolas)	174- 1	170- 2	172- 7	176-10	172-10	174- 1	175-14	172- 5	174-14	171-12	171- 5	170- 4

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,98	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,92	1,219,97	40,02	648,90	689,31	56.47	102,25	428,78	1,219,99
Average of Fridays										
April 1955	1,313,32	18,91	1,331,74	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
May ,,	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June ,,	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July ,,	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August ,,	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
September ,,	1,290,78	23.49	1,314,27	40,02	668,82	708,84	53.93	110,51	494.93	1,314,27
October ,,	1 303,25	10,97	1,315,39	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
November ,,	1,327,06	14,27	1,341 33	40,02	642,08	682,09	50.85	109,38	549,84	1,341,32
Week Ending										
4-11-1955	1,317,54	12,98	1,330,52	40,02	627,10	667,11	50.14	109,86	553,54	1,330,52
11-11-1955	1,332,24	12,54	1,344,78	40,02	647,07	687,08	50.09	109,09	548,61	1,344,78
18-11-1955	1,334,68	9,90	1,344,57	40,02	647,07	687,08	50.10	108,88	548,61	1,344,57
25-11-1955	1,323,76	21,64	1,345,40	40,02	647,07	687,08	50 07	109,70	548,61	1,345,40
2-12-1955	1,335,72	13,99	1,349,71	40,02	647,07	687,08	50,91	109,04	553,58	1,349,71

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50*	141,19	23.12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,39	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,23	21,85	55,15	36,18	201,02	23,59	234,68	23,18	6,06	87,31	1,17	27,00	80,25	9,95
Average of Fridays														
March 1955	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ,,	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ,,	52,9	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ,,	55,64	12,33	50.02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ,,	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August ,,	87 33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September ,,	60,36	18,28	55,51	16,91	151,06	21,26	182.32	23,63	13,68	51,57	1,02	28,64	52,13	11,65
October ,,	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	82,93	76	20,52	50,24	12,17
November ,,	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	70,45	2,22	24,17	50,09	12,21
Week Ending														
4-11 1955	54 69	18,84	59,05	15,46	148,04	27,55	185,60	13,07	5,77	81,93†	1,04	21,12	50,26	12,41
11-11-1955	56,83	14,25	53,58	15,27	139,94	29,61	179,55	12,68	8,37	66,28†	2,84	26,98	50,08	12,32
18-11-1955	53,07	13,72	57,55	15,61	139,34	31,60	181,55	10.05	9,56	70,86†	3,11	25,89	49,97	12,11
25-11-1955	55,13	12,43	63,90	15,48	146,94	30,07	187,01	21,79	5,77	72,63†	1,89	22,67	50,05	12,20
2-12-1955	51,36	10,16	62,37	15,48	139,37	32,13	181,51	14,09	5,85	71,25†	2,00	25,39	50,43	12,51

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Year 1954	September		9 Months Jan.-Sept.	
		1954	1955	1954	1955
Total All Exports	148,595	15,136	10,325	100,205	115,857
Of which :-					
Tea	76,963	8,602	4,272	44,177	52,737
Leather, leather manufactures & dressed furs ..	13,271	1,121	880	10,587	9,586
Tobacco & tobacco manufactures	6,910	690	361	6,130	5,482
Hides, skins & fur skins, undressed	974	112	40	753	653
Wool & other animal hair and tops	5,567	255	168	4,116	3,469
Cotton	2,584	173	172	2,035	2,891
Miscellaneous textile fibres & waste	1,070	99	100	926	1,211
Metalliferous ores & metal scrap	3,081	302	150	2,387	1,921
Miscellaneous animal & vegetable crude materials	4,528	362	276	3,390	3,726
Animal & vegetable oils, fats, greases & derivatives ..	1,892	399	1,492	1,284	6,532
Cotton yarns & woven fabrics	6,855	692	254	4,946	5,446
Miscellaneous textile manufactures	16,444	1,626	1,022	13,252	11,777

II. PRINCIPAL IMPORTS

(Thousand £)

	Year 1954	September		9 Months Jan.-Sept.	
		1954	1955	1954	1955
Total All Imports	114,907	8,733	11,712	89,046	94,413
Of which :					
Machinery other than electric	28,151	1,936	2,848	21,205	23,159
Electric machinery, apparatus & appliances ..	14,836	1,217	1,404	11,808	11,621
Wool & other animal hair and tops	4,929	260	372	3,911	3,756
Petroleum & petroleum products	4,610	223	228	4,151	1,444
Chemicals	15,152	1,140	1,628	11,311	11,942
Paper, paperboard & manufactures thereof ..	1,331	103	65	975	1,236
Iron and steel	5,891	397	869	4,498	5,728
Non-ferrous base metals	1,653	149	313	1,227	1,699
Manufactures of metals	5,080	376	586	4,110	5,283
Railway vehicles	3,052	154	270	2,638	2,931
Road vehicles & aircraft	9,363	759	739	7,511	7,497
[illegible]stific instruments; photographic & optical goods; [illegible]s & clocks	2,239	206	226	1,697	2,185

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Year 1954	September		9 Months Jan.-Sept.	
		1954	1955	1954	1955
Total Machinery	42,987	3,153	4,252	33,013	34,780
Of which :-					
Boiler & boiler-house plant	1,463	89	102	1,122	1,204
Internal combustion engines	1,883	85	190	1,375	1,317
Agricultural machinery	197	14	18	137	133
Agricultural & track-laying tractors ..	754	50	145	516	730
Machine tools (excluding portable power tools) ..	2,005	175	182	1,453	1,861
Pumps	744	64	65	564	572
Industrial & works trucks & tractors & mechanical handling equipment ..	1,612	54	82	1,156	1,145
Excavating & earth-moving machinery & road rollers ..	650	39	93	423	983
Mining & well drilling machinery ..	481	25	26	372	263
Printing & bookbinding machinery & printing type ..	573	43	41	421	435
Textile machinery ..	6,863	594	715	5,384	5,120
Air-conditioning & refrigerating machinery ..	252	27	22	188	200
Generating sets, generators & motors ..	2,233	197	162	1,750	1,605
Converting machinery, transformers, switch gear & switchboards ..	4,023	296	332	3,219	3,038
Electronic valves, & radio, television, radar & sound reproducing apparatus ..	1,544	140	157	1,317	1,363
Telegraph & telephone equipment & line apparatus ..	1,420	73	32	1,258	467
Electric cables, wires, strips & strands, insulated ..	2,705	243	423	2,113	2,699

Source :—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

INDUSTRIAL PRODUCTION IN INDIA

(Monthly averages or calendar months)

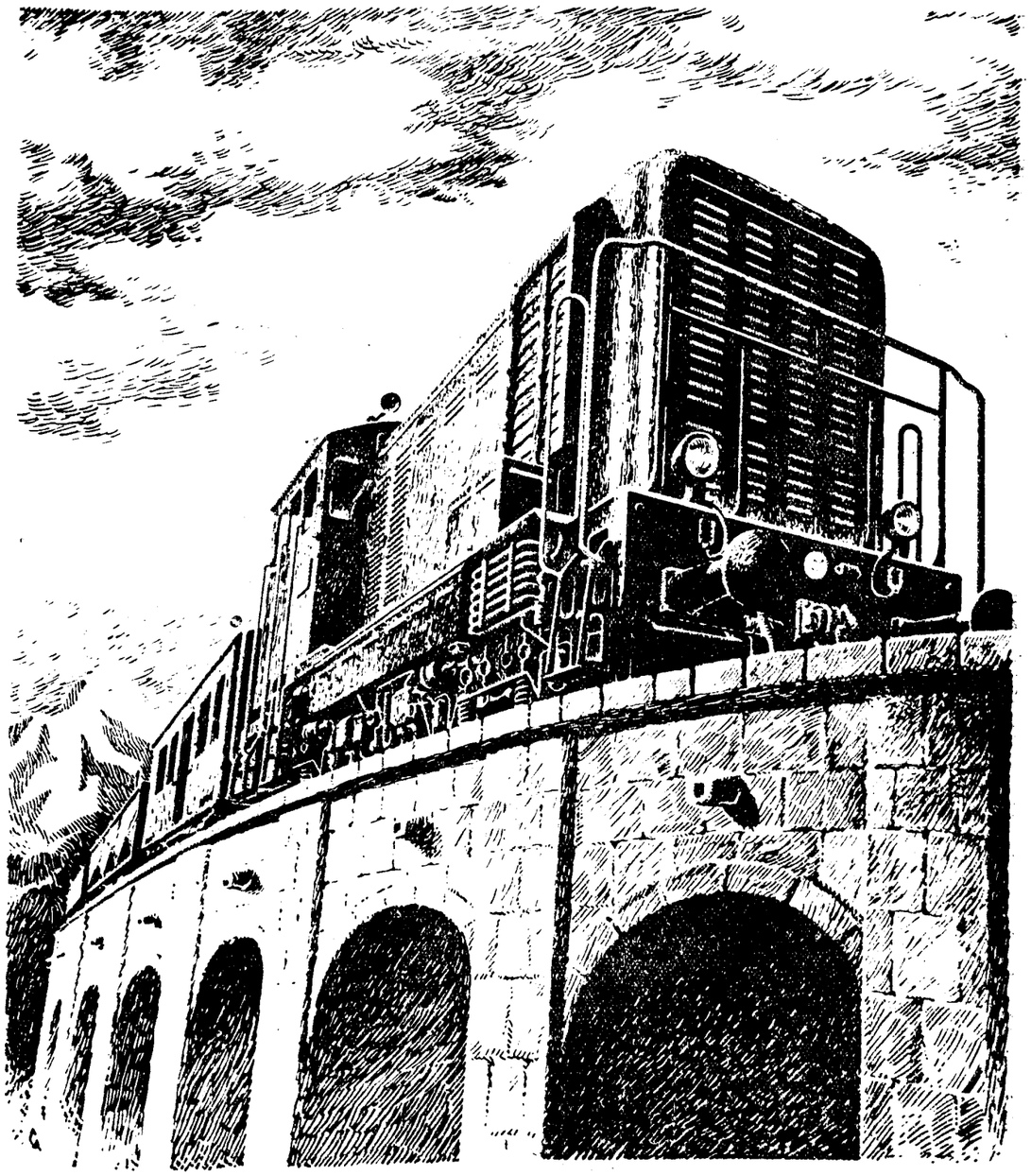
Item	Unit	Latest Installed Capacity	1952	1953	1954	1955				
						April	May	June	July	August
Coal	'000 tons	..	3019	2987	3,064	3,233	3,175	3,075	2,956	3,119
Sugar	,,	113.1	124.5	107.6	84.0	194.9	84.0	13.9	0.8	7.4
Tea	Million lbs	..	51.2	50.7	53.5	31.3	48.7	78.0	87.3	98.5
Cigarettes	Lakhs	20208	16766	15353	16,523	19,410	20,310	20,260	20,260	..
Cotton yarn	,, lbs	..	1208	1255	1,301	1,309	1,250	1,340	1,430	..
Cotton cloth	,, yds	..	3832	4,065	4,165	4,192	4,010	4,150	4,460	..
Jute	'000 tons	..	79.3	72 4	77.3	85.7	81.7	85.7	84.1	81.4
Woollen Manufactures	,, lbs	1667	1382	1,604	1,563	..	..	..	..	..
Plywood	,, sq. ft.	11800	7545	5100	6,481	9,885	10,428	9,114	8,120	..
Paper & Paper Boards	Tons	15517	11459	11642	12,944	15,073	13,941	15,228	150,97	..
Sulphuric Acid	,,	17432	8007	9091	12,573	11,255	11,302	10,298	14,148	..
Caustic Soda	,,	3471	1422	1909	2,442	2,682	2,603	2,806	3,232	..
Soda Ash	,,	7500	3694	4739	4,024	6,570	5,509	6,768	7,193	5,367
Chlorine Liquid	,,	1529	520	678	815	646	816	972	1,113	..
Bleaching Powder	,,	650	66	162	244	201	211	262	240	..
Bichromates	,,	448	122	209	270	238	234	236	201	..
Superphosphates	,,	17710	3888	4025	8755	5,666	5,150	4,374	6,710	..
Ammonium Suiphate	,,	35492	18359	26,635	28,352	32,333	26,672	29,797	33,309	..
Paints and Varnishes	,,	5400	2681	2671	3,068	2,615	2,710	2,950	2,958	..
Matches (cases)†	Thousand	58.8	51.6	51.5	44.1	51.3	50.2	50.1	49,0	..
Sheet glass (sq.ft.)	,,	8440	753.6	1898.9	2759.4	2924.9	1713.3	1,196.7	1,829.7	..
Cement	,, tons	370.3	294.8	315.0	366.5	303.7	375.4	329.5	[illegible]	..
Refractories	,,	27.5	20.3	19.0	20.0	21.3	21.5	[illegible]	22.2	..
Pig-Iron	,,	185.1	140.4	137.9	149.4	152.7	150.9	144.5	148.2	..
Steel Ingots and Metal for Castings	,,	128.5	131.5	125.6	140.4	144.6	143.0	133.1	137.5	..
Aluminium	Tons	625.0	297.2	313.2	407.2	599.3	653.2	613.3	610.8	630.5
Copper	,,	600.0	506.6	410.0	596.8	640.0	635.0	620.0	620.0	582.0
Lead	,,	500.0	94.3	141.2	149.0	200.0	170.7	174.1	206.6	161.0
Hurricane Lanterns	Thousand	416.9	293.6	359.4	415.6	473.3	460.8	497.0	586.9	500.1
Enamel-ware (pieces)	,,	2500.0	640.9	790.3	1248.1	1265 4	1231.2	1145.2	1031.1	..
Diesel Engines	Nos.	1356	354	310	721	885	883	735	909	..
Sewing Machines §	,,	3458	4170	5202	6683	8,282	8,484	8,200	8,536	9,132
Machine tools (value)	'000 Rs.	..	369.8	367.3	416.9	381.2	598.8	718.3	612.7	..
Dry Cells	Lakh	187.0	108.5	123.7	123.9	144.4	132.4	135.8	144.4	150.5
Storage Batteries	Thousand	24.2	13.2	14 7	15.7	19.2	20.0	19.2	20.8	..
Electric Motors	,, H.P.	16.7	13.1	13.5	15.6	20.7	19.5	20.6	19.1	21.8
Power transformers	'000 K.V.A.	31.5	17.9	25.7	33.3	39.6	42.9	36.9	44.7	42.6
Electric lamps	Thousand	2433.3	1740.0	1647.3	1923.0	2122.5	2110.6	2145.9	2249.4	2132.7
Electric Fans	,,	25.3	16.3	16.6	19.9	26.6	26.1	25 5	16.8	..
Bicycles	Nos.	41,000	16,413	22,014	31,030	39,414	41,040	42,810	38,748	..

† 50 gross boxes of 60 sticks each.

§ Installed capacity calculated for a single shift working, while one of the two units has been working more than one shift.

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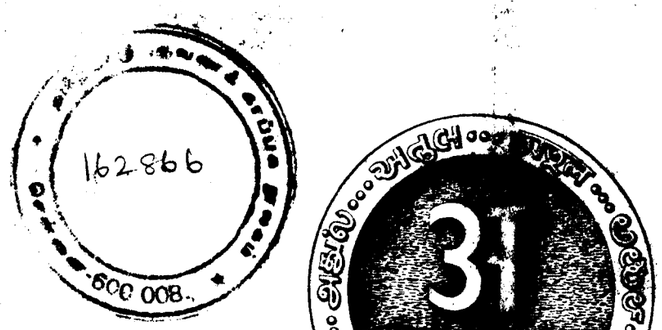
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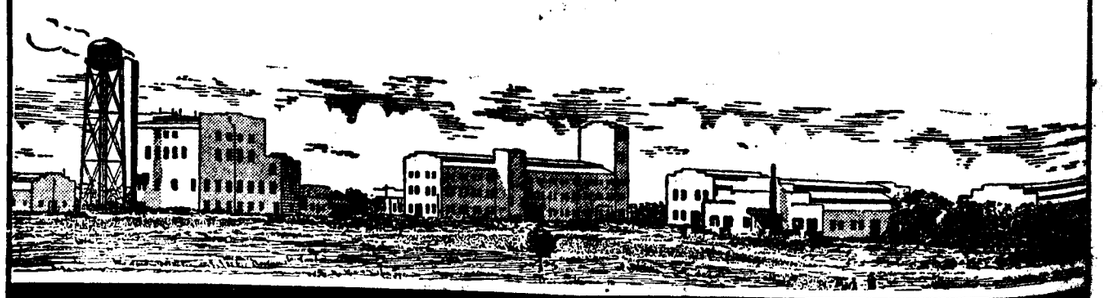
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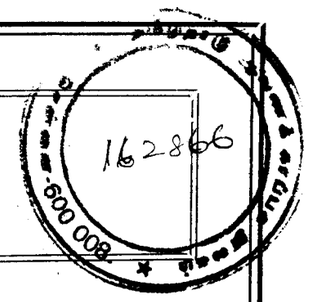


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THE ATUL PRODUCTS LIMITED
ATUL, via BULSAR, Western Railway

Company Law



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The Evolution of Company Law

COMPANY legislation in this country is now a century old. The beginnings of company law were made in 1850, when an Act for the registration of joint stock companies was enacted. Companies for business as well as for non-pecuniary purposes were brought within the purview of this pioneering Act. Today, the three distinctive features of public companies—corporate personality, transferability of shares without the consent of other shareholders and limited liability—appear axiomatic. But it was not so before and a process of evolution had to be passed through before these features came to acquire acceptance as necessary concomitants of corporate organizations. The first Act XLIII of 1850 conferred the first two privileges on public companies in this country. The status of corporate personality was evident in the provision which allowed a company to sue its shareholders or to be sued by them. Purchase of its own shares by the company or grant of loan on the security of such shares was prohibited by the Act, but provisions governing transfer of shares ensured the principle of transferability. The liability of members was not limited either by the value of shares or by guarantee. Nevertheless, the principle of rateable contribution from shareholders for a company's debts was laid down and the liability of past members was defined as being coextensive with the period of their membership. The Indian Act of 1850 was modelled, as was only natural, on the English Companies Act, 1844, and it was but inevitable that much of the subsequent legislation on this subject should also follow closely British precedents established from time to time. The scheme of this first enactment was comprehensive.

It took only seven years thereafter for making another enactment to accord recognition to the principle of limited liability. Act XIX of 1857 for the incorporation and regulation of joint-stock companies and other associations, either with or without limited liability of members thereof, which was placed on the statute book, did not, however, extend the privilege of limited liability to banking and insurance companies. These two categories of companies which were then developing their base were, however, freed from this disability soon after and limited liability was provided by Act VII of 1860. All the legislation on joint stock enterprise was then consolidated and amended into a comprehensive enactment in Act X of 1866, which in turn was recast by Act VI of 1882, incorporating all the refinements till that date in English Company Law. Between this measure and the present Act VII of 1913, there were no less than five amending Acts. Three of them deserve mention. Act VI of 1887 prescribed the principles on which priority in debts in the winding up of companies should be fixed. Act XII of 1895 conferred enabling powers on companies to alter the forms or objects of their constitution, subject, however, to confirmation by the High Court. Act IV of 1910 provided for the exceptional power of making payment of interest out of capital and for re-issue of redeemed debentures under specified conditions.

Act VII of 1913 is undoubtedly the most comprehensive and broadbased legislation on companies which has answered the demands of Indian business all these years during its most active phase of growth. The entire scheme of the Indian enactment, including the general basic principles, arrangement and co-ordination of separate parts in their detail, and also the expressions employed in separate provisions were adopted from the English Act of 1908. British procedure was not deliberately incorporated on one point; all powers governing the winding up of companies continued to be vested in courts of law.

The rapid development of joint stock enterprise during the inter-war period led to a persistent demand for extensive reform of the company law. Most powerful among the demands was the claim of shareholders for increased share in management, for disclosure of the financial position of companies, and for safeguards against mushroom and fraudulent companies. The emphasis, in the Indian Companies (Amendment) Act, 1936, was unmistakably on safeguarding the rights and interests of shareholders and on regulating powers of managing agents. Modelled essentially on the provisions of the English Companies Act 1929, the Indian enactment did not go the whole way in the matter of adoption of English principles. The temptation to replace Act VII of 1913 in toto by a consolidating measure, as in the case of the new English Act of 1929, was scrupulously avoided in view of the spate of subsequent criticism of the English law. In the result, the Indian Companies Act, 1913, as amended in 1936, continues to hold sway. The amendments which were enacted from time to time in the decade till 1946 and again in 1948, aimed at removing only minor imperfections.

It may be said that till this period, legal reform and public policy did not proceed on any ideological attitudes. The Indian Companies (Amendment) Act, 1951, constitutes a turning point in this respect. It conferred extensive powers on the Government to intervene direct-

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ly in matters of company administration and also empowered the courts to take appropriate action in cases where the affairs of joint stock compaines were conducted in a manner prejudicial to its interests or were likely to be oppressive to a section of shareholders. Matters which until then were regarded as lying within the field of the shareholder's voting rights became the concern of Government to such an extent as to confer on it the dominant voice. Restrictions on the appointment and reappointment of directors, on their number and remuneration, limitations on changes in the constitution and term of office of managing agents and on amendment of articles of agreement relating to their appointment, larger power to courts to intervene in cases of management and setting up of an Advisory Commission to help in the exercise of the regulatory powers newly conferred on the Central Government were the main features of this Act of 1951. This new trend—of assumption of wide powers of supervision and control over companies which reduced the shareholder, as much as the management, to a shadow—is much more in evidence in the present consolidated Bill. Reform by such consolidation would have in any case become inevitable because of the changing needs of a growing economy. But an influence, other than the unexceptionable one of improving the Government's normal duty of supervision and control over companies, has also been at work, giving rise to new complications.

The Philosophy of Reform

THERE would have been a strong case for the revision of the Indian Company Law at this stage, even if Indian companies have been predominantly well and properly managed. In the U.K., the Cohen Committee recommended a consolidating law in 1945 even though it had been consolidated only sixteen years earlier. Here in India, such consolidation has been long overdue. Several unworthy practices in which companies had indulged during the war and after, drew attention to the necessity to reform abuses. So the Company Law Committee was set up in 1950, on the British parallel. But while the Cohen Committee set before itself and the Government the objective that "questions of economic policy should be dealt with by legislation directed to that subject and kept distinct from the general law governing companies", in India, a number of political, social and economic considerations have been allowed to creep into this problem. There is probably sufficient awareness here of the dictum of the Cohen Committee that "if there is to be any flexibility, opportunities for abuse will inevitably exist". But in direct contrast to the attitude of that Committee which saw the importance of "not placing unreasonable fetters upon business which is conducted in an efficient and honest manner" and that of the Labour Government, which enacted the British Act in 1948, there is here greater readiness to sacrifice flexibility in the name of preventing abuse.

So long as proper means are not devised for making it easier for shareholders to exercise an effective general control over the management of their companies and to choose the proper governing body, it would be almost difficult to ensure good management through statutory provisions. More and more regulation is the cheap nostrum of the administrator or politician who is faced with a difficult situation in which the grant of discretion is as vital as checking its abuse. This is what has now happened to Indian Company Law. What is often overlooked is that numerous checks when scrupulously observed could lead to a paralysis of function, with the result that the tendency would be strengthened to avoid such restrictions, wherever possible, giving room for a widespread breach of law. The responsibility for policing is being thrown more and more on the administrative apparatus, which often widens only the area of abuse not its prevention. What is worse, it transfers vital functions and responsibilities to men who are inadequately trained to discharge them, while enfeebling by suspicion those who acquire professional competence.

Just as there are really no short-cuts to a solution of the problem of abuse of opportunities in business, there are, perhaps, no easy methods of persuading those whose possession of political power enables them to rush headlong with reforms. The final test of success will be whether the instruments of social and economic action are allowed to work at least as effectively as before or are hindered. It may be assumed that no responsible person will let the blame for hindrance be laid at his door when its consequences become serious. If the alternative is relaxations of the law to prevent the worst effects of regimentation, liberalisations may be made, but the position is bound to become worse than before. The final test of success of the Companies Act now on the anvil will not be its smooth passage in a political atmosphere which at the moment is rather receptive to the doctrine of reform by more and more regulation—irrespective of whether the apparatus of such regulation is in existence or in good shape.

It is basically a wrong approach to this difficult problem and only a correct official lead could have prevented some of the exuberances of ideology which have been allowed free play in the later stages of law-making. That lead has been very conspicuous on this subject only by its absence, so that a policy of drift has become inevitable. In the Joint Select Committee, there seems to have been no attempt made to control the work and keep it within the bounds normally to be observed by a parliamentary committee translating a definite Government's policy into law. If the same attitude is repeated in the subsequent stages of the enactment of the law, the outlook for sound legislation is not indeed bright. The blame cannot rest exclusively on the political trends which have been manifested already in the adoption of the "Socialistic pattern" or the Fourth Amendment of the Constitution. The personal responsibility of the Finance Minister in this respect has been great and it must be recorded, with a sense of disappointment, that the lead expected from that high quarter has not been forthcoming. The result has been an increase in the scope for uncertainty, and for confusion and contradictions which are examined in succeeding pages.

It was the opinion of the Company Law Committee that its proposals attempted to secure the fullest practicable measure of disclosure of information relating to the activities of the companies without imposing an unreasonable burden on legitimate business. The subsequent development of the law has not been in keeping with the second consideration. Far from being apologetic, the reformers seem to have become rather self-righteous about the restrictions imposed and of the wholly punitive spirit in which many of them have been devised. The question whether all the conditions for the growth of joint stock companies on healthy lines will exist, has been wholly overlooked in this preoccupation with penalties. An ultimatum to managing agencies has been given without much thought about the detailed ways of fostering alternative systems to develop. So far, the only persuasion attempted in favour of the existing drastic provisions for managing agents is the threat of more drastic action—such as those conveyed by the latest circular of the Congress Committee. The circular points to the proposed expansion of the public sector as the reason why the private sector could be completely paralysed by such drastic measures, an argument which no responsible person in authority has so far advanced.

It is an attitude which, if left unchecked, can grow by what it feeds on until it demolishes in the name of reform all features of stability and certainty in the social and economic structure which are essential to growth without dislocation. Company Law is but one aspect of this economic structure and cannot escape the strong currents which flow around, but it is good to realise the risks that are ahead lest they should be under-estimated and ignored.

Managing Agencies: The Turn of the Screw

THE core of the Indian Company Law is the Managing Agency System which has been the subject matter of controversy for more than two decades. That has been both its weakness and source of strength. Its weaknesses have led to exaggerated criticism, which has kept the system on its defensive all along; but the fact that at the end of every strong criticism there has been an admission of the need to mend it, and not to end the system altogether, has served to emphasise the value of the institution itself. Non-political bodies concerned with the economic aspects of industrial organisation have been ready to modify the system and preserve its role. Successively, the Fiscal Commission, the Planning Commission and the Company Law Committee have given the same opinion unhesitatingly in recent years. There was, therefore, good reason for the Government also to adopt the same attitude and consider seriously only the ways of overhauling it to meet future needs.

That at least was the declared policy even until the Companies Bill was introduced in Parliament, in the middle of last year, for reference to a Joint Select Committee. The Finance Minister, who was mainly concerned with the framing of Government's policy on this matter, had conceded that the time had "not come for eliminating the managing agency system", because it would deal a very severe blow to industrialisation in the country. He was also quite clear that this is the first major opportunity which the Government and Parliament has of attempting reform. It was in the same tones that the Companies Bill was sponsored in the Upper House. "The way of prudence" said the Deputy Finance Minister "would, therefore, seem to lie in reforming existing institutions, while this process of building up new ones proceeds apace". What then prompted the sudden disregard of these acknowledged ways of prudence and dictated a different course for the Joint Select Committee? Surely no Minister in a parliamentary system of government can come forward to say that his own declared policies on legislative matters are so unstable that they can be disregarded or modified substantially by a Select Committee of the same Parliament which gives the Government its working majority?

It would be a great strain on language if Government were still to claim that it is only mending the managing agency. Since other types of companies have also been subjected to severe restrictions, it cannot even be said that there is a deliberate discrimination in favour of less objectionable forms of company organisation such as director-controlled companies. Chapter III of Part VI of the Bill has now very little relation to Chapter X of the Company Law Committee's Report.

All existing managing agents will, according to Clause 329, cease to hold office on the 15th August, 1960, unless reappointed earlier under the new law, which means that the Central Government must in each case approve of such re-appointment. The Central Government cannot accord such approval unless it is satisfied, firstly, that it is not against the public interest to allow the Company in question to have a Managing Agent; secondly, that the Managing Agent is a fit and proper person and the conditions are fair and reasonable; and thirdly that such conditions as are imposed by the Government are fulfilled. Technically, Government may still claim that managing agencies have not been eliminated but these vague conditions would introduce an element of perpetual uncertainty in the tenure of the Managing Agent that he would be unable—since he cannot be expected to divorce himself of self-interest—to take a long-term view of his and the company's relations and prosperity. This uncertainty would be aggravated by the other risk involved in the proposed power of the Central Government (in Clause 323) to notify that in any particular industry or business, there should be no Managing Agents for companies. When such a declaration is made, every existing Managing Agent for such companies will cease to hold office after three years or from 15th August, 1960, whichever is later; no Managing Agent may be appointed after such declaration in any company which did not have one before. Other provisions in Clause 327 carry out the recommendations of the Company Law Committee to the effect that no managing agency agreement should exceed a period of 15 years in the first instance or a period of 10 years for each renewal, and that no re-appointment can be made except within two years of the date of expiry of the term of a Managing Agent.

The new Clauses (323 to 325) make an important departure from the declared policy of Government. The criteria of selection of the industries for which notifications against managing agencies should be made cannot but be arbitrary because, whether it is a new industry requiring vigorous initiative or an old one, which has to be modernized and expanded, there should be no artificial restriction of the agencies available for development. If thereby the managing agencies are fragmented, they will be unable to operate with the resources which they used to command when they controlled both prosperous and weaker sections of industry. (Business men have now doubted whether Managing Agents with interests in several lines can function even if one of the industries is a notified industry but this may be a minor point to be clarified in due course). The real argument against such powers is the uncertainty they introduce and the greatly impaired strength of companies with varied interests, which would result from it.

The second major source of anxiety is to be found in another new provision (Clause 331) for which the Joint Select Committee is solely responsible, namely, that no person shall be Managing Agent in more than ten companies after 15th August, 1960. Where a person does not restrict himself to 10 before that date the Central Government may determine in which 10 companies he should hold office, here again completely disregarding the wishes of the Managing Agent or of the shareholders. To prevent evasion (which is punishable with a fine of Rs. 1,000 for every day of breach) persons closely associated with a Managing Agent will be regarded as the Managing Agent for reckoning the number 10. To stick fast to this particular number, without any certainty that in the next five years sufficient managerial talent would be created, might involve leaving some companies without competent direction. The companies which are most likely to be so left are

those which are not at present very remunerative to the Managing Agents concerned. It is difficult to believe that these consequences have been borne in mind in drawing up these restrictions.

By the side of these major provisions, the other restrictions become secondary. It is provided that all changes in the constitution of a managing agency should have the approval of Government within six months, failing which the firm or Corporation will cease to be Managing Agent. This applies to all changes including the more routine ones like normal retirements by resignation or demise. A transfer of his office by a Managing Agent should have the approval not only of the Company in general meeting but also by the Central Government. In future the Managing Agent can appoint only two directors where the total number is five and only one when it is below five. There are other restrictions on the appointment of buying and selling agents (which are examined in detail elsewhere).

It will not be denied that the managing agency has been crippled badly and fettered in such a manner that its capacity to function efficiently has been left in doubt. It cannot also be said that companies with directors will be in a better position. The Joint Select Committee's answer would be to point to the provisions in Chapter IV of Part VI of the Bill which introduces the system of Secretaries and Treasurers. The Select Committee's argument that the system is free from most of the abuses to which the managing agency system has been subject, rests on slender foundations because the system in practice has not been extensively adopted. It may have potentialities. It is now provided that only a firm or body corporate can hold office as Secretaries and Treasurers but that in most other respects they will be like Managing Agents and can replace them as such wherever Managing Agents are prohibited. The provisions regarding abolition of managing agencies and the restriction of other office to ten companies will not apply to them. Secretaries and Treasurers will be entitled only to 7½ per cent of net profits as remuneration; they will have no right to appoint directors; and lastly, they have no right to sell goods manufactured by a company nor purchase machinery, stores or raw materials or trade in them.

These provisions will ensure that managing agencies can transform themselves into more acceptable bodies and continue to function though with still greater limitations, in areas where they will not be allowed in their present form. An important safeguard has thus been brought in to provide stability but the extent to which this new agency can function without certain important powers can only be shown by experience. At present, most business men have been rather relieved to see that there has been understanding enough to make this much provision for continuity of operations. But the conclusion cannot be avoided that it is at best a political compromise which cannot obscure an abrupt change of policy in mid-course of legislation.

Controls on Companies

WITHIN the vast jungle of 649 clauses with its thick undergrowth of subclauses, schedules, annexures and appendices which in future will constitute the Company Law of the country, the one dominant feature which stands out from the rest is the constant reference to the Central Government as the final authority whose approval should be sought at various stages for the lawful functioning of companies. There are roughly about 80 subclauses listed in Appendix VI to the Bill which thus provide for the finality of the Central Government's decisions. Of these, quite a substantial number—nearly half—pertain only to matters which either have existed all along or would relate to the exercise of normal police powers of the State recognised as such everywhere. Rule-making powers, appointment of statutory agencies, powers of inspection and punishment of offences against public policy are all inherent in the police powers of a State, even when companies are private agencies in which shareholders with voting rights should have a legal, though frequently nominal, title to govern. But this inherent police jurisdiction has been now so vastly expanded that it has ceased to be recognizable. Whereas the Company Law Committee substituted a special resolution wherever an ordinary resolution was thought inadequate to safeguard the company's and shareholders' interests, the Joint Committee has gone a step further and substituted executive approval in the place of the preferences of both shareholders and directors.

This is a process of 'nationalisation' by the backdoor by the simple extension of regulatory powers to such lengths that the executive becomes the final authority over any decision of any consequence in the management of the private sector. The legal basis of such extension was all along questionable but the opportunity which existed to question it before the highest judicial authority in the land has now been deprived by virtue of the Fourth Constitutional Amendment which places this extended jurisdiction above all challenge. The Amendment has certainly emboldened those who have desired the growth of wide executive powers over the private sector, irrespective of its consequences, merely out of an ideological belief that it is a social good under all circumstances and conditions. For such beliefs, there can be no adequate ways of persuasion to prove the contrary. But to the vast majority of men who have at any time been dependent on the approval of official agencies for taking actions which lie within their own capacity, executive approval has been a needless complication and the Companies Bill will not prove different.

The thin end of this wedge of executive control —which is now driven deeper by the Joint Committee —was introduced in 1951 and has been in operation. It was then the understanding that most of the powers would be temporary until other aspects of company regulation were tightened up to render them unnecessary. It is unusual, however, to find executive authority seeking a retreat even when emergencies, such as a war, originally caused the grant of such authority. So has it been in this case. Sanctions of the Central Government which at first was regarded essential only for a period of three years and which the Company Law Committee had suggested for discontinuance are now being written into the Companies Act, to stay there permanently.

It is not necessary here to enumerate all these powers all of which are admittedly wide and "the exercise of which" according to the Joint Select Committee "will involve the taking of decisions at the highest level in the Ministry concerned." The two main issues that arise are, firstly, whether on principle the State can so completely supersede the discretion of the shareholders and the directors elected by them on all such vital matters and, secondly, whether officials can operate not only with the flexibility and quickness necessary in running a business but also with the knowledge of the market-place and with the close identification of interest.

On both issues, Indian business men have been reluctant to concede that departmental control would not be dilatory or obstructive. All experience supports their contention. The mass of evidence before the Joint Select Committee was also to the effect that approval of Government on the most meticulous detail would not only hamper the functioning of private enterprise but may allow some of the evils and abuses invade the administration also, since the fates and fortunes of companies and individuals would be involved. Prior consultation with the Advisory Commission is a safeguard but the final responsibility is essentially that of the Government and the process would certainly involve trouble and delay even on wholly trivial matters of day-to-day working which ought not to concern the administration except in clear cases of mismanagement.

Some statutory safeguards have been provided for the exercise of these delegated powers by the Central Government. In eight matters, the orders passed or notifications issued or rules framed will have to be laid before each House of Parliament. Though this gives an opportunity to Parliament to raise any issue by motion—on the analogy of the 'prayer' motions in the Commons—the House can act only after the executive has exercised the authority and such action may not be effective. In a number of other cases,—about 13—Government has to act on the advice of the Advisory Commission, even after the companies concerned have approved a course of action at a general or special meeting. Worst of all is the group of cases in which consultation with the Advisory Commission will not be obligatory, though they all relate to vital matters affecting company management. How these powers are exercised in practice will decide whether they become instruments for hampering business or mere opportunities to prevent abuse. An informal advisory body may feel no obligation to evolve a code of principles for its guidance, which an independent statutory body with powers of decision will find necessary. There is here an undue accession of authority to the State which abridges on slender grounds the area of freedom of initiative and enterprise in the private sector.

Remuneration—Maximum and Minimum

AMONG the large number of hastily conceived clauses in the Companies Bill which will in future confuse the administrators, company managements and their legal advisers, the prize for confusion should go to Clause 197 which relates to the maxima and minima in fixing remuneration to company managements. Even as a piece of legal drafting, this clause is, perhaps, without parallel. It therefore, deserves to be reproduced in full.

> "197. OVERALL MAXIMUM MANAGERIAL REMUNERATION AND MINIMUM MANAGERIAL REMUNERATION IN THE ABSENCE OR INADEQUACY OF PROFITS. (1) Save as otherwise expressly provided in this Act, in the case of a public company or a private company which is a subsidiary of a public company, the total remuneration payable by the company to its directors, its managing agent or secretaries and treasurers, if any, and its manager, if any, shall not exceed eleven per cent of the net profits of the company, computed in the manner laid down in sections 348, 349 and 350, except that the remuneration of the directors shall not be deducted from the gross profits.
>
> (2) The percentage aforesaid shall be exclusive of any fees payable to directors for meetings of the Board attended by them.
>
> (3) Nothing contained in sub-sections (1) and (2) shall be deemed—
>
> (a) to prohibit the payment of a monthly remuneration to directors in accordance with the provisions of section 308 or to a manager in accordance with the provisions of section 387; or
>
> (b) to affect the operation of sections 351, 352, 353, 354, 356, 357, 358, 359 or 360.
>
> (4) Notwithstanding anything contained in sub-sections (1) to (3), if in any financial year, a company has no profits or its profits are inadequate, the company may pay to any director or directors including managing or whole-time directors, if any, its managing agent or secretaries and treasurers, if any, and its manager, if any, or if there are two or more of them holding office in the company, to all of them together, by way of minimum remuneration, such sum, not exceeding fifty thousand rupees per annum, as it considers reasonable.'"

The first sub-clause prescribes a maximum of 11 per cent of the net profits of a company as the total managerial remuneration, exclusive of fees for directors for Board meetings. Even at the outset this clause specifically saves other express provisions of the Act, but still, another sub-clause (3) has been inserted which again protects monthly remuneration to directors prescribed under Clause 308 or to a manager under Clause 387 and protects a number of other provisions, which obviously are already saved. Finally, there is a 'coup d' grace' in sub-clause (4) which prescribes a ceiling of Rs. 50,000 as minimum remuneration to the entire managerial hierarchy of a company in a financial year in which a company has no profits or the profits are inadequate. Despite the expressly overriding character of this sub-clause (4) of Clause 197, other clauses in the Bill, especially 308, 352 and 387, reinforce its supremacy by repeating the formula "subject to the provisions of 197". To anyone faced with the task of interpreting these clauses as one consistent piece, the position is bound to appear intriguing, prompting the question as to which provision is subject to Clause 197 and which others are saved by the earlier saving clauses. This is an illustration of how uncertain our law-makers have been of what they actually set out to prescribe; their failure to visualise the picture of company reform as one whole and specifically to provide for all the consequential and incidental effects of the legal changes now proposed is clearly revealed here. There is a mass of redundant phraseology, which when closely interpreted in a court of law may lead to strange situations wholly unexpected by the reformers. It is, however, necessary to bear in mind that Clause 197 is an entirely new provision inserted by the Joint Select Committee, which according to two members who have appended dissenting minutes, found very little time for considering properly the final draft of the clauses.

Since it is always the wearer who knows where the shoe pinches, the efforts of Indian companies to apply the principles embodied in these clauses to their own individual cases have produced such amazing results that many managements have now become quite firmly convinced that amateurish advice at departmental levels has grossly misled the legislators on the Joint Committee—who are obviously laymen and amateurs who cannot be expected to have an intimate knowledge of the functioning of large and small companies. Most of the big companies which have a leading place in the economy of the country naturally have

multiple interests which require a certain minimum number of directors to manage and advise the different lines of activity. Even if a director is to be paid on an average about Rs. 60,000 per annum, a company with five directors would need at least Rs. 3 lakhs, which it can find only if its profits in a year as calculated under Clause 197 (read with Clauses 348 to 350) exceed Rs. 27 lakhs. The company is, therefore, put under an obligation to show, willy-nilly, this amount of profit if it has to honour its terms of engagement to its directors.

What would happen when the net profits fall below this minimum needed to pay the directors? Since a decline in profits will be noticed only after the accounts of a particular year are closed and published, the excess paid already will have to be recovered from the persons concerned. Presumably the directors will also automatically become debtors to the company and if Section 294 is also involved, as is feared, they would become guilty of a punishable offence. When recovery of this excess remuneration is made, according to the exact shortfall in profits, the excess income-tax paid by the directors on these sums—which will mostly be at the higher progressive rates in the top brackets—would in effect become advances to the exchequer recoverable later through refunds, which as all the world knows is no easy affair. It follows therefore that, whether the risks of being in private business are great or not, the risks of merely holding directorships will be greater.

The worst of all situations will arise for companies which have no profits or have such slender profits that they cannot pay more than the minimum prescribed of Rs. 50,000 or round about this figure. It is conceivable that the law should seek to prescribe a maximum for an individual (director or agent) in companies making no profit, as well as to prescribe the maximum number of such individuals who can be carried by such a company, in relation to the lines of its activity. But on such a low ceiling on total remuneration, can any company attract the required personnel to guide it during the initial stages of its career when it can hope to make no profit, or, if at all, get only very moderate profits?

It is thus plain that while the 11 per cent ceiling will be so very low for most companies declaring net profits of less than Rs. 30 lakhs that they will not be able to secure adequate personnel, the minimum now contemplated would be disastrous for almost all. These provisions will work special hardship on the director-controlled companies like banks and insurance companies which it is the object of the present legislation to foster, in preference to managing agencies or to secretaries and treasurers. New companies requiring special services in the initial stages will be the worst sufferers for it is hardly possible that a monthly total remuneration of Rs. 4,000 for the entire managerial corps of a company would suffice to attract and keep enthused all its members.

Except where profits are assured, it is very unlikely that directorships would be tempting to able men who have proved abilities. In seeking employment at the higher levels of a company no person can be expected voluntarily to court the vagaries of rewards. Nor will any management—faced with the choice between maximising profits on the one hand, which would enhance its own claims to reward, and, on the other, of meeting the needs of business by larger outlays on expansion schemes, additional depreciation, or such other matters which will cut at the profits—opt for a course which will involve personal sacrifice. The consequences are best imagined. Even in the older businesses which are regarded as well-established, there are several which depend for their fortunes on fluctuating markets, like tea, jute and sugar. If in a prosperous year, the ceiling as now proposed should afford only a moderately reasonable income, it cannot offset losses in subsequent lean years; and larger reserves built up in prosperity cannot come to the rescue of the management. Who gains by such deliberately contrived—if indeed they are so—deterrents to honest business? If clever and intrepid business men are, as a result of these measures, compelled to avoid the risky and uncertain enterprises, will the community as a whole become a net gainer merely by the knowledge that some men have been kept out of business where they would have made money?

When there are other limits already prescribed for the remuneration of directors in Clause 308 of the Bill, and for managing agents, secretaries and treasurers in Clause 347, which seem adequate as regulatory provisions, was there any need to go to these limits to offer disincentives? Clause 197 introduces a wholly gratuitous complication, the actual effect of which may be to reduce the number of incumbents bearing descriptions such as director, manager or managing director and to convert such of them as are essential for a company's prosperity into salaried officials with designations which do not come within the mischief of Clause 197, to the extent there is willingness among them to acquiesce in such devious procedure. Those who are not willing to do so will suffer—leading to a result exactly contrary to the undoubtedly good, though hopelessly misguided, intentions of the framers of our company legislation.

The feeling that all these provisions are not the result of mature consideration is fortified by the numerous and most obvious inconsistencies which strike the eye. In the case of a company having no profits, Clause 197(4) prescribes a total of Rs. 50,000 as minimum remuneration for its entire managerial personnel including directors, managing agents or secretaries and treasurers while under Clause 352, in such cases, the managing agent alone is entitled to a minimum remuneration of Rs. 50,000. Such instances must open the eyes of legislators and the public to the deterioration that has set in our legislation. Hitherto, it was usual to come across cases of inadequate drafting where the purposes were clear but here in this field, it seems, the purposes themselves are in great confusion, making the procedure go awry.

The Role of Private Companies

(Contributed)

HISTORICALLY, the distinction between a private limited company and public limited company arose as follows: As corporate enterprise was increasingly utilised in the field of medium and small-scale businesses, the need for some relaxation in the legal requirements applicable to the formation and management of companies was felt. The initiative was taken by Germany in 1892 in relaxing the provisions applicable to private companies by dispensing with the issue of share certificates. Also a simpler method of management was provided and the filing of and publicity for accounts were dispensed with. This mode of distinction was adopted by a number of companies in the Continent. In the U.K. the Companies Act of 1907 for the first time made a distinction between private and public companies by exempting private companies from filing balance-sheets with the Registrar of Companies. It also imposed certain conditions as to membership and restrictions on transfer, and public subscription for their shares was forbidden. In 1908, the English Companies (Consolidation) Act was passed and following that Act the present Companies Act in India was passed in 1913.

Definition of a Private Company

Under the Indian Companies, 1913, a company to be a private company must in its articles:

(i) restrict the right of transfer of its shares;

(ii) limit the number of its members exclusive of persons who are in the employment of the company to fifty, and

(iii) prohibit any invitation to the public to subscribe for any shares or debentures of the company (Sec. 2[13]).

These restrictions, limitations and prohibitions must be continued to be observed by a private company during its existence. If, however, the company alters its articles in respect of one or more of the three requirements, it will cease to be a private company.

Large Increase in Private Companies

A private company enjoys certain privileges and exemptions and the most essential and valuable of them is the one relating to the exemption from the filing of the balance-sheet and the profit and loss account with the Registrar. This concession by itself was responsible for the promotion of numerous private companies in the United Kingdom. Though the facility for forming private companies was introduced only in the Act of 1907, private companies at present outnumber public companies in the U.K. by more than twenty to one. The number of private companies rose from 146735 in 1939 to 250927 in 1952. The capital also increased from £1923 million to £2330 million. On the other hand the number of public companies declined from 13920 to 11587 and their paid-up capital showed a decrease from £4117 million to £3970 million in the same period. Therefore both in numbers as well as in capital paid-up, the proportion of private companies was on the increase. In India also in recent years there has been a large increase in the registration of private limited companies. There is a paucity of statistical data, but from the figures available and quoted below it will be seen that the general trend is a large increase in number and capital of private companies over that of public companies:

Year	Private		Public	
	No.	Paid-up Capital (Rs. crores)	No.	Paid-up Capital (Rs. crores)
1947-48	12174	..	10501	..
1950-51	15964	210	12568	566
1952-53	17337	253	12055	629

Private companies, therefore, consisting generally of small concerns make an important contribution to trade and industry.

Need to Encourage Formation of Private Companies

A private company may be formed with two members only and for all practical purposes the financial interest in a private company may be confined to one person only. Thus the facility for converting a proprietary business into a private company is open to every individual business man and all the advantages of company incorporation are then derived. There is

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The Taxation Enquiry Commission made an analysis of balance-sheets of 492 companies covering a paid-up capital of Rs. 252 crores. The findings of the Commission regarding the Managing Agents' remuneration are set out in the table below.

REMUNERATION OF MANAGING AGENTS @

Industry		Remuneration to Managing Agents (Amounts in lakhs of Rupees)								Remuneration of Managing Agents as per cent of Profits*			
		1946	1947	1948	1949	1950	1951	1946-51	1952**	1946-52	1946	1948	1951	1946-51
Cotton Textiles	(96)	2,86	2,50	4,01	2,80	2,92	3,99	19,08	2,41	21,49	13.5	12.9	18.4	16.4
Jute Textiles	(47)	1,31	1,54	1,79	1,10	1,45	1,79	8,98	88	9,86	14.2	22.4	19.3	20.3
Other Textiles	(12)	4	10	6	4	6	5	35	6	41	10.9	13.2	23.5	13.3
Iron and Steel	(3)	52	47	37	44	51	56	2,87	49	3,36	6.9	7.9	5.8	7.3
Engineering	(52)	29	28	27	36	37	37	1,94	16	2,10	12.7	11.2	10.9	12.0
Sugar	(22)	16	22	36	31	27	36	1,68	20	1,88	15.3	13.8	15.7	15.8
Chemicals	(29)	9	9	9	9	11	12	59	3	62	12.7	25.7	12.8	14.8
Paper	(7)	16	12	15	17	21	26	1,07	16	1,23	11.0	11.4	10.0	11.2
Vegetable Oil	(7)	7	6	5	4	3	3	28	1	29	10.2	11.6	..	13.1
Matches	(4)	25	17	19	17	15	14	1,07	14	1,21	15.9	14.6	15.5	15.4
Cement	(8)	20	16	28	27	34	48	1,73	37	2,10	10.4	10.6	9.1	.3
Tea Plantations	(76)	24	30	31	35	41	38	1,99	26	2,25	9.1	13.8	15.9	12.0
Other Plantations	(11)	2	2	2	2	2	3	13	1	14	12.8	16.5	11.0	13.0
Coal	(17)	28	27	29	31	30	30	1,75	25	2,00	16.4	18.8	16.9	16.7
Electricity	(22)	28	30	31	29	31	33	1,82	11	1,93	11.1	11.0	11.4	18.1
Shipping	(11)	32	21	23	17	22	47	1,62	20	1,82	10.8	..	14.1	21.4
Others	(55)	23	26	29	32	32	46	1,88	31	2,19	4.5	5.6	6.1	5.5
TOTAL	(479)	7,32	7,07	9,07	7,25	8,00	10,12	48,83	6,05	54,88	11.6	13.5	13.7	13.7

@ Including remuneration to Managing Directors; 13 out of the 492 companies have neither Managing Agents nor Managing Directors; most of them are managed by Boards of Directors, some of these are large concerns and the remuneration, allowances, etc. to Directors is likely to be substantial, but could not be included as information was not furnished. Thus, the total amount shown here is to some extent understated.

* Profits include Managing Agency commission and provision for taxation, but exclude depreciation and interest charges.

** Data are for a smaller number of companies.

limited liability for the members, legal entity for the business, continuity of existence as distinct from the shareholders, division of financial ownership into two or more classes of shareholders with different rights as to profits, voting powers etc. These and the exemptions and privileges which private companies enjoy serve as advantages of practical value which encourage an individual to admit members of his family or other persons into co-ownership. That way a private limited company is born. In India the facility of incorporation as a private company has been utilised to a large extent by managing agency houses. Generally the managing agency concerns are composed of persons who are either relatives or close business associates. Statistics are not available of the number of managing agencies which are limited companies or of the capital invested in the managing agency managed companies. But it has been estimated that nearly 80 per cent of the invested capital is in companies which are managed by managing agents and that approximately in respect of 60 per cent of the capital in managing agency managed companies, limited companies act as managing agents. The usefulness and importance of private companies for the industrial management of this country, therefore, need no emphasis. Private companies are particularly suited for medium-sized and small-scale businesses. In the scheme of intense and planned industrialisation of this country, a very prominent part is envisaged for medium-sized and small-scale industrial enterprise. All facilities should, therefore, be given under the Company Law for the formation of private companies which generally engage in medium-sized and small-scale enterprises. These small companies later on expand and develop into big public corporations and that way the pace of industrialisation is quickened.

Exemptions and Privileges Under the Companies Bill

Under the Companies Bill, 1953, as amended by the Joint Committee while certain new proposals are not made applicable to private companies, some of the advantages and exemptions which they already enjoy under the present law are, however, sought to be modified. The most important changes are that:

1. the balance-sheet and the profit and loss account of a private limited company should be audited by qualified auditors (Clause 223);
2. copies of the balance-sheets certified as true copies by the companies' auditors together with the auditor's report should be filed with the Registrar (Clause 219).

The filing of the accounts with the Registrar has been assailed on the ground that publicity for their accounts would give valuable information to their rivals, especially to powerful competitors who being acquainted with their financial position could easily drive them out of business. The Company Law Committee recommended that private companies need not file the profit and loss account but only the balance-sheet with the auditors report. They stated that in this respect their recommendation was similar to that of the Millin Commission in South Africa. Their recommendation has been adopted in the Bill, though it may be noted, the recommendation of the Millin Commission was not adopted in the final text of the South African Companies Amendment Act of 1952. It is not correct to assume that valuable information will be available from the profit and loss account only and not from the balance-sheet. It has also to be borne in mind that under the Bill much more detailed information has to be given in the balance-sheet than hitherto.

Cohen Committee Recommendations in the U.K.—Exempt Private Company

The objections to the filing of accounts with the Registrar were considered also by the Cohen Committee in the U.K. They were impressed with their reasonableness particularly in relation to what can roughly be called the small family business incorporated as a company. They therefore recommended a class of "exempt private companies" which have to fulfil certain conditions. They are not required to file the accounts with the Registrar nor is it necessary that their accounts should be audited by a qualified auditor. Because of those advantages, some sixty per cent of the private companies in the U.K. are exempt private companies. Apart from the advantages accruing from the exemption from the filing of accounts with the Registrar, the further exemption that the accounts of an exempt private company need not be audited by a qualified auditor will be particularly valuable under present conditions in India. There is a paucity of chartered accountants and it is doubtful whether there will be a sufficient number of qualified auditors to audit the accounts of all companies if as proposed in the Companies Bill even the accounts of private companies are to be audited by chartered accountants. Further, qualified auditors are concentrated in the principal cities. Big industrial units and companies may afford the services of chartered accountants in principal cities to advise them in regard to the keeping of accounts and for audit purposes. For smaller companies with lesser resources—which generally private companies are—in mofussil centres and in the villages engaged in small-scale and medium-sized industries, it will be well nigh impossible to meet the prohibitive cost of engaging the services of chartered accountants in the cities. In the context of present day conditions and of future needs, it would therefore seem desirable that these valuable privileges should be accorded to private companies if their formation on a large-scale is to be helped and thereby industrialisation rapidly advanced. If it is thought that these exemptions and privileges cannot be granted to all private companies, then at least a class of exempt private companies on the lines of the U.K. law may be created in India which will afford protection to the small family business and the small entrepreneur.

Notes on Company Law Amendments

COMMENCEMENT OF THE NEW ACT

APPARENTLY regarding it as futile to hope that the Companies Bill would be modified substantially at this stage with a view to liberalising its provisions, business men have pleaded that at least the date of commencement of the Act may be deferred to provide for an interval during which the less liberal provisions can be gradually brought into effect. This seems a reasonable request, considering the uncertainty about the meaning of various clauses—like Clause 197, which is the classic example of confusion. It is certainly necessary that the accounting periods of the new Act should not apply to accounting years which have begun before its enactment; that is, assuming that the Bill becomes law during this year, the earliest period for which it can apply will be 1956-57, provided there is some interval during which the new procedures could be assimilated.

In cases like the restriction of the remuneration of managing agencies under Clause 330, a much longer interval is certainly indicated because of the time needed to comply with the Act in varying existing agreements. The Joint Select Committee has now provided for the Act's coming into force on a day to be specified by the Government through notification but if the entire Act is thus to be brought into force, the special clauses in which practical difficulties will arise from the change-over must include specific provisions for sufficient time to effect the changes.

GUILT BY ASSOCIATION?

THE definition of the term "associate" has consequences far graver than what may be ordinarily conveyed to a layman. The Amendment Act 1951 introduced a definition which has proved adequate and was accordingly incorporated in the original Companies Bill. The Joint Committee has widened the definition with results which some of the dissenting members of the Committee have regarded as capable of leading to absurd or anomalous situations. The circle of associates, says the dissenting minute, can fluctuate with domestic events like births (including illegitimate births) adoptions, deaths and marriages besides other changes in business relations. This is a consequence of the inclusion of "relatives" in the definition of associates; and Clause 6 extends the meaning of relative to include even persons whose spouses are related to each other—whether by legitimate or illegitimate descent or adoption and whether by full blood or halfblood—even as first cousins having a common grandparent. If every person regarded such a wide circle with the affection and intimate interest which should be involved in the significance now attached by the Bill to such kinship, the world would certainly be a warmer place to live in. In any case, business men can no longer be indifferent to the geneology of their spouses even unto the third generation; and even so, since even illegitimate relationships are involved, they may at best avoid infringing the law, if at all, only by the skin of their teeth.

These implications could not have escaped the attention of the Committee; rather, the desire to make it so all-embracing seems to be deliberate, revealing a particular attitude of mind to the whole question which was not merely one of over-enthusiasm. If "a company is being investigated, the affairs of the managing agent's cousin's husband would be liable to be investigated even if he does not know the managing agent and has no business connection with him whatsover, merely if the inspector thinks it necessary for the purpose of his investigation." Such "associates" cannot obtain loans or be appointed selling and buying agents. Even where persons start by not being "associates" within the scope of such definitions, they have to be on their guard to avoid the temptations that flesh is heir to. They cannot make alliances except when they can afford to sacrifice their business connections. On the whole, it would be a queer predicament for some of the business communities which have inbred highly in the past and are not likely to change their ways of life greatly.

MANAGING AGENT AS BUYER AND SELLER

THE amendment introduced by the Joint Committee in Clause 356 which, in effect, precludes a Managing Agent or his associate from being appointed as a Selling Agent of a managed company except outside India, is seriously detrimental to the interests of Indian industry. The effect of Clause 356 might be to deny to a managed company the services of its Managing Agent as Selling Agent in its principal markets. A Managing Agent with an all-India organisation is far better equipped to serve a managed company as its Selling Agent than third parties as he has far more detailed knowledge of the company's products than any third party can possibly have. The prohibition contained in this clause may perhaps be limited to sales from the premises at which goods are produced or from the Head Office of the Managing Agent or from any other place within the same State as that in which such premises or Head Office are situated. It should also be made clear that the remuneration payable for such services is additional to that provided for in Clause 347.

Sub-clause (1) of Clause 356 contemplates that in connection with purchases of goods made by a Managing Agent whether in or outside India, the Managing Agent should be entitled to be reimbursed any expenses he has incurred on behalf of the Company and sanctioned under Clause 354. Sub-clause (2) however would appear to contemplate that where the purchases are made abroad, then expenses can only be recovered if sanctioned by a special resolution. Where the Managing Agent is merely recovering expenses incurred in connection with purchases on behalf of the managed company, there would appear to be neither necessity nor justification for requiring a special resolution as contemplated in sub-clause (2). It should be made clear that such recovery of expenses has no connection with the remuneration payable under Clause 347.

A Managing Agent or his associate may be appointed a Buying Agent of a managed company by means of a special resolution, but the information which sub-clause (4) now requires should be given in the special resolution is not only to a very large extent unnecessary but might be prejudicial to the interests of the managed company. Sub-clause (4) should be deleted and the only information that should be disclosed should be the material terms of the contract appointing the Managing Agent as Selling Agent, as in Clause 356(4) of the Bill. From a practical point of view, drafting a resolution to be placed before a company which contained the mass of detailed information envisaged in sub-clause (4) as presently drafted would be almost an impossible task for any management.

Clause 360 as presently drafted, requiring as it does a special resolution to be passed by the Company sanctioning each and every contract entered into by the Company with its Managing Agent, will render ordinary working extremely difficult if not impossible. The only practical way of giving effect to the objects of this clause would be to reframe it so as to provide that a Company may, by special resolution, sanction in advance all contracts to be entered into with the Managing Agent or associate.

PRIVILEGES OF A GOVERNMENT COMPANY

THE Companies Bill defines in Clauses 611 and 614 a Government Company as one in which the Central and State Governments alone or together hold at least 50 per cent of the share capital. Government in such cases has the power of determining the applicability of the provisions of the Act and copies of such notification will have to be laid before Parliament. The Joint Select Committee was of opinion that it would be inappropriate to apply those clauses of the Bill which impose penalties in respect of failure to do various things by directors and managers. At the same time, the Committee considers that in the supply of information to shareholders and submission of returns they should be placed on the same footing as other companies. But in actual practice, Government alone would determine what provisions should not apply and it is unlikely that there would be any inclination to accept the Committee's view that the privilege should vary with the extent of the Government's interest in each company.

In view of these special privileges, the Committee's modification of the definition of Government Company in the original Bill is of some interest. It was earlier provided that in such a company the total Government

holding should be 30 per cent; in such cases the privileges now claimed might have been less objectionable. But when the public holds an almost equal share with the Government, there is no justification for discriminatory provisions. It cannot be argued that either at the bureaucratic or political levels the amount of incompetence and corruption is much less than is common among the less well-managed companies in the private sector. Where an enterprise is run entirely as a departmental responsibility, there is the usual control of Parliament; where it is not so and Government chooses to adopt the company method, there is no reason why it should not subject itself to its disabilities as well, when it seeks the privileges of the corporate structure.

REMUNERATION OF MANAGING AGENT

CLAUSE 347 places a limit of 10 per cent of the net profits of the company on the remuneration of a Managing Agent for his services as Managing Agent "or in any other capacity". This proposal is unfortunate, since the intention surely was to limit the remuneration received as Managing Agent. There is no inherent justification for imposing the limit in the case of services rendered in another capacity. No doubt Government are anxious to guard against the possibility of excessive remuneration being disguised as payment for services in another capacity, but the point is that such disguised payments would in fact be remuneration as Managing Agent and thus come under the limit. The proper method of dealing with them is to have provisions that prevent camouflage. There is no justification for imposing the restriction on remuneration for services genuinely rendered in another capacity, and if the provision is allowed to stand, it would prevent the rendering by the Managing Agent of many services outside the agency relationship which are of the greatest value and convenience to the managed company such as guaranteeing their bank overdrafts and acting as shipping or clearing agents for them.

Similarly serious and unexpected consequences will follow from the provision in Clause 348 requiring previous losses to be deducted when calculating a Managing Agent's commission. Where a managed company has sustained heavy losses and the Managing Agent is either removed from office or resigns therefrom, the managed company would experience the greatest difficulty in obtaining a suitable new Managing Agent for failures which are not his own, but the retention of this provision in its present form might well aggravate the difficulties of the managed company by rendering it impossible for the company to obtain the financial backing and expert management it would require. Losses sustained under a predecessor should be disregarded in calculating the Managing Agent's commission unless he is an associate of the Managing Agent under whom the losses were incurred.

The principle underlying sub-clause (3) (d) of Clause 348, whereby profits from the sale of any immovable property or fixed assets of a capital nature comprised in the undertaking of the managed company should be excluded when computing the net profits on which the Managing Agent's commission is calculated (unless the managed company's business consists wholly or partly of buying and selling any such property or assets) is good. But on a sale of such nature the managed company might very easily have to write back into its account excess depreciation previously provided for.

Finally, the amount that can be paid to managing agents by way of compensation for loss of office has been reduced from the equivalent of five to that of three years' remuneration. In the original Bill, Clause 349 specially preserved the right of a managing agent to recover damages when he had been wrongly dismissed but this clause has been omitted from the amended Bill. As a result of this omission and the rewording of Clause 365, a managing agent might be precluded from recovering by way of damages for wrongful dismissal from a managed company any sum in excess of the compensation provided for in Clause 366.

RISKS IN REMUNERATION

THE immediate source of anxiety to all company managements is the clause on remuneration and here are some examples of the anomalies and oddities that have been revealed to accountants who may be trusted to know their job. The practical operation of Clauses 197 and 308 on the assumption that they are interpreted as limiting the remuneration of managing dierctors etc., inclusive of monthly salary would vary as follows with the nature of companies:

COMPANY A—(A public company with branches and subsidiaries engaged in a variety of industries including cotton textiles, wollen mills, tanneries and leather works, sugar, automobile assembly and chemicals: In view of wide range of industrial and other interests involved, 3 whole-time directors is the minimum on which the company can operate efficiently).

(a) Total number of directors 10

(b) Whole-time directors/managing directors included in above 3

(c) Monthly fees to directors—
Chairman of Board .. Rs. 350 = Rs. 4,200 per annum
9 Directors .. „ 150 = „ 16,200 „ „
TOTAL .. Rs. 20,400 „ „

(d) Annual net profits of company in 1954 .. Nil (Loss)

(e) Permissible total remuneration of—
Whole-time / managing directors under Clause 197(4) .. .. .. Rs. 50,000
Less monthly remuneration as above .. .. „ 20,400
Balance divisible among 3 whole-time directors — Rs. 29,000-average of Rs. 822 per month

COMPANY B—(A public company operating as Managing Agents for companies engaged in inland shipping and distillery industry, as agents for ocean shipping and in the sale of a large variety of imported and local manufactures).

(a) Total number of directors 8

(b) Whole-time directors/managing directors included in above 6

(c) Total permissible remuneration of (b)
1953—Actual .. .. Rs. 2,40,945
—Under Clauses 197/308 „ 50,000
Amount which would have been over-paid .. .. Rs. 1,90,945
1954—Actual .. .. Rs. 3,66,001
—Under Clauses 197/308 at 11 per cent .. „ 63,425
Amount which would have been over-paid .. .. Rs. 3,02,576

NOTE: This is an example of how bad trading years can affect the amount payable to managing directors and directors of a director-managed public company. It so happened that in these years considerable losses were sustained through a manufacturing process which did not prove a success. Had Clauses 197 and 308 been operative, the whole-time directors of the company would have been reduced to a total maximum remuneration of less than Rs. 900 per month each. Even in normal years, the proposed overall maximum of 11 per cent of annual net profits would not be sufficient to cover the contractual salaries of the whole-time directors, without any provision for commission.

COMPANY C—(A public company, director-managed, i.e. with no Managing Agents, engaged in a single line of engineering manufacture).

(a) Number of whole-time directors .. 4

(b) Net annual profits:
1946-47 .. .. Rs. 6,92,000
1947-48 .. .. Rs. 2,43,000

NOTE: This sharp reduction in profits was caused by labour trouble in the companies' factories in Calcutta and Bombay and in the years in question, the 4 whole-time directors' remuneration would have been restricted under Clauses 197/308 to an average of Rs. 1,500 per month in 1946-47 (at 11 per cent) and to approximately Rs. 1,000 per month in 1947-48 (at the minimum of Rs. 50,000) through no fault of their own.

COMPANY D—(A recently formed director-managed company, i.e. with no Managing Agents, engaged in a new engineering industry).

(a) Total number of directors 9
Of which, (b) Number of managing Directors .. 2

(c) Annual net profits:
1950 .. .. Rs. 84,000
1951 .. .. Rs. 41,000
1952 .. .. Rs. 71,000
1953 .. .. Rs. 3,03,000

At the time of the development of the company, up to the stage of profits beginning to accrue on a reasonable basis, the managing directors would have been restricted to the minimum figure of Rs. 50,000 under Clause 197 and their services in developing this new industry would not have been available.

SHORTER NOTES

What is a Debenture?: Under the existing law, "debenture" includes only debenture stock. In the Companies Bill, definition has been extended to cover bonds and any other securities of a company, whether constituting a charge on the assets of the company or not. This follows closely the English definition of the word, but fear has been expressed that debentures as now defined may cease to be authorised investments for insurance companies.

*

Private Limited: In order that the name of a company may indicate whether it is a private or a public company, every private company should add "Private Limited" to its name. It is believed that the change will not involve a formal amendment of the name of the company requiring a special resolution and government approval. One never knows.

*

The Expert's Role: Under Clause 56 of the Bill, a prospectus inviting persons to subscribe for shares or debentures should not include a statement purporting to be made by an expert unless the expert is a person who is not engaged or interested in the formation, or management of the company. When mining companies or other special types of manufacturing companies engage technical consultants who report favourably on a project, why should not the public have access to their opinion?

*

Voting on Preference Shares: Under the original Bill, holders of preference shares secured voting rights only on resolutions affecting their special rights as preference shareholders (when there was a failure to pay the fixed dividend for two consecutive years in the case of non-cumulative preference shares and for one year in the case of cumulative preference shares). Now, it is proposed to confer general voting rights but when the arrears are two years for cumulative preference shareholders and for two consecutive years or an aggregate period of not less than three years in the six preceding years for non-cumulative preference shareholders.

*

Proportional Representation by Option: In a new Clause (264) the Joint Select Committee has provided that the articles of a company may provide for the appointment of not less than two-thirds of the total members of a company through any system of proportional representation. In such cases there will be no renewal of one-third of the directorate every year but only triennial elections, casual vacancies being filled by the normal method. It is claimed that this is a via media between the demand on the one hand, for compulsory P.R. in all cases so that the minority of the shareholders can keep a closer watch on the affairs of a company, and the difficulty, on the other, of smooth working if opposing groups are represented on the directorate.

*

Limits to Charity: A board of directors cannot contribute to charitable and other funds (not related to the company's business or welfare of employees) a sum in excess of Rs. 10,000 a year or 3 per cent of average net profits, whichever is greater.

*

Succession with Official Approval: While only future agreements for succession to the office of Managing Agent by inheritance or demise are prohibited, in the case of existing agreements succession on the death of the holders cannot take place except with Government's approval, which will be given only if a person is regarded as fit and proper.

*

A Privy Council for Company Law?: Like the decisions of the Privy Council—which always ended with a formal advice to the Crown to that effect—the Advisory Commission will continue to remain on a strictly advisory basis, though with a permanent tenure and an enlarged membership of five to give adequate representation to all interests. It will advise Government on all matters referred to it, though the final responsibility for the fulfilment of the responsibilities will rest with Government. This will, however, enable Government to have it both ways—to quote the Commission when it agrees with it and to cite its own special responsibilities when it disagrees.

*

Where Omission Becomes Untruth: Where an omission from a prospectus or statement in lieu of a prospectus is calculated to mislead, such an omission will

be deemed to be an untrue statement (Clause 43) subjecting the promoters to civil and criminal liability for omissions, and it is not possible to provide defence to the effect that an omission was only due to inadvertence or ignorance.

*

The Fateful 120 Days: Allotment of share capital offered to the public cannot be done until the minimum subscription is received and unless the whole process is completed in 120 days, all moneys received from applicants should forthwith be repaid. After the 120th day repayment should be with interest at 6 per cent p.a. The general feeling is that more time—say 180 days—may be provided for under Indian conditions.

*

No Tax-Free Incomes: No company will in future be able to pay remuneration free of tax to an employee but this provision will only affect Indian Joint Stock companies, leaving proprietary concerns and foreign companies unaffected.

*

LIQUIDATIONS DURING 1953-54 AND 1954-55

Registration Date	Companies liquidated in 1954-55	Companies liquidated in 1953-54
Before 1st April 1900	4	3
1st April, 1900 to 31st March 1910	0	5
„ 1910 „ 1920	3	2
„ 1920 „ 1930	17	11
„ 1930 „ 1935	27	23
„ 1935 „ 1940	71	55
„ 1940 „ 1945	207	123
„ 1945 „ 1946	66	72
„ 1946 „ 1947	127	142
„ 1947 „ 1948	73	116
„ 1948 „ 1949	86	87
„ 1949 „ 1950	71	86
„ 1950 „ 1951	68	93
„ 1951 „ 1952	64	74
„ 1952 „ 1953	30	15
„ 1953 „ 1954	9	3
„ 1954 „ 1955	1	0
TOTAL	924	910

GROUPWISE LIQUIDATIONS DURING 1954-55

Industrial Groups	No.	Capital in lakhs of rupees Paid-up Capital
Banking, Loan and Insurance	70	65
Transit and Transport	94	213
Trading and Manufacturing	558	277
Mills and Presses	68	137
Tea and other Plantations	12	18
Mining and Quarrying	17	23
Estate, Land and Building	16	19
Breweries and Distilleries	4	2
Sugar Manufacture	1	1
Hotels, Treatres, and Entertainments	76	26
Companies other than those specified above	8	1
TOTAL	924	782

COMPANIES AT WORK (a)

As on March 31	Number of Companies	Paid up capital (Rs. lakhs)
1938	10,657	279,17
1939	11,114	290,39
1940	11,372	303,68
1941	11,638	309,58
1942	12,049	325,19
1943	12,770	336,13
1944	13,689	533,74
1945	14,859	388,97
1946	17,343	424,24
1947	21,853	479,47
1948	22,675	569,56
1949	25,340	628,31
1950	27,558	723,29
1951	28,532	775,42
1952	29,223	855,76
1953 (b)	29,312	897,57

(a) Figures up to 1947 relate to undivided India.
(b) Figures are provisional.

JOINT STOCK COMPANIES

New Registration and Liquidation (Annual)

Year	Incorporated and Registered: No. of Companies	Incorporated and Registered: Paid up Capital (Rs. lakhs)	Ceased to work: No. of Companies	Ceased to work: Paid up Capital (Rs. lakhs)	Increase (+) or decrease (—) of paid-up capital of existing Companies (Rs. lakhs)
1938	984	10.8	540	279.6	15,12
1948	3,156	314.4	576	321.6	..
1949	2,652	91.2	1,008	685.2	..
1950	2,004	56.4 (a)	768	896.4	..
1951	1,884	1,780.8	876	368.4	48,00 (b)
1952	1,380	102.0	804	668.4	48,60
1953	1,224	339.6	624	363.6	36,36

(a) Based on figures for 11 months.
(b) Based on figures for 9 months from April-December.

JOINT STOCK COMPANIES AT THE END OF THE FINANCIAL YEAR 1941-42 to 1951-52

(Paid up capital in Rs. '000)

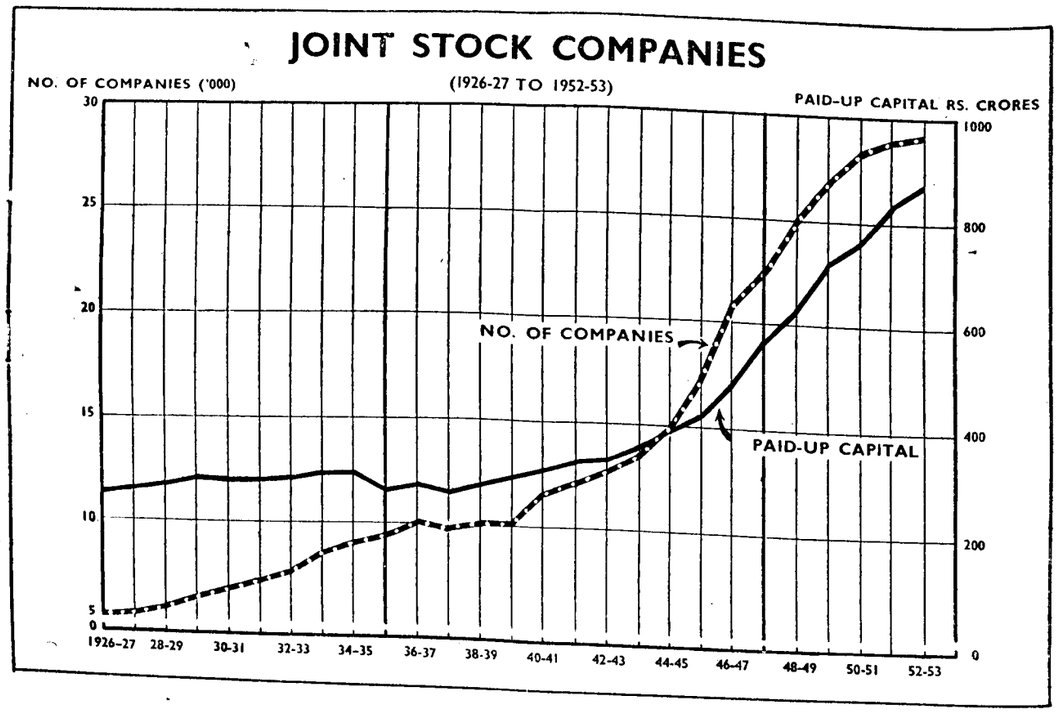
Year	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52
Class											
Banking and Loan											
No.	1985	2,002	1,988	2,030	2,126	2,235	1,776	1,850	1,973	1,993	1,977
Paid-up Capital	25,94,28	28,56,27	32,41,74	41,86,24	48,32,67	51,89,11	59,99,64	59,60,83	68,28,75	71,98,95	71,23,14
Insurance											
No.	475	436	414	404	394	389	357	354	358	355	364
Paid-up Capital	4,45,64	2,58,69	6,56,86	8,59,04	10,19,42	10,54,26	10,47,43	11,19,50	11,66,02	11,84,30	12,56,42
Navigation											
No.	54	59	58	61	69	90	87	95	105	116	115
Paid-up Capital	4,53,17	4,54,31	4,60,24	4,65,84	5,11,38	6,80,83	10,08,35	10,52,61	11,84,49	14,12,46	15,96,80
Railways and Tramways											
No.	40	40	41	38	36	32	33	31	32	30	30
Paid-up Capital	14,41,83	13,12,98	13,13,06	12,81,91	12,67,31	10,63,62	6,39,34	6,10,16	5,95,04	5,63,76	5,64,53
Other Transit & Transport											
No.	4,98	555	674	797	966	1,120	1,125	1,300	1,488	1,666	1,712
Paid-up Capital	6,54,23	6,70,11	7,11,85	7,74,33	13,47,31	23,25,02	26,96,01	31,04,73	33,38,08	27,00,73	40,57,67
Trading and Manufacturing Companies											
No.	5,799	6,373	7,058	7,851	9,489	12,609	13,646	15,509	16,540	17,375	17,803
Paid-up Capital	1,25,3837	1296835	1344315	1477460	1568379	1776014	2298499	2635566	2958778	3224220	3568330
Tea											
No.	438	448	458	473	476	508	518	527	533	545	557
Paid-up Capital	12,94,47	12,13,66	14,37,53	15,05,72	15,06,91	16,12,18	17,72,72	20,50,80	23,16,75	24,22,15	24,63,85
Other Planting Companies											
No.	148	168	208	228	255	276	270	286	291	288	302
Paid-up Capital	2,13,20	2,48,89	4,22,10	5,38,00	7,02,91	7,63,85	8,24,52	8,37,76	8,52,30	7,87,14	6,09,95
Coal Mining											
No.	205	215	225	266	306	362	384	399	428	422	448
Paid-up Capital	8,81,22	8,97,62	8,84,89	9,15,18	10,46,42	11,16,78	15,11,30	16,89,27	18,39,46	18,20,91	21,09,37
Gold Mining											
No.	3	4	4	6	6	5	7	7	8	6	6
Paid-up Capital	502	7,06	26,24	22,77	32,33	12,07	30,12	86,56	86,67	86,61	86,36
Other Mining and Quarrying Companies											
No.	129	140	154	175	213	256	276	288	326	367	393
Paid-up Capital	12,38,37	12,32,71	12,64,22	13,78,17	13,16,44	13,65,25	15,29,77	15,80,11	17,23,43	17,52,32	21,87,17
Cotton Mills											
No.	399	408	416	432	495	596	591	618	644	662	654
Paid-up Capital	42,05,92	43,93,74	45,48,57	48,33,95	50,11,27	54,01,90	62,36,40	68,47,79	90,24,45	98,63,48	1,00,43,9
Jute Mills											
No.	89	90	89	90	92	99	100	96	103	108	114
Paid-up Capital	20,89,27	20,92,80	20,95,44	21,38,28	21,55,89	21,87,78	22,98,70	23,51,43	26,94,64	27,71,19	28,62,77
Mills for Wool, Silk Hemp, etc.											
No.	66	71	76	77	94	119	122	151	167	163	180
Paid-up Capital	3,21,24	3,32,68	3,14,98	3,74,57	4,00,26	5,33,49	6,38,80	7,00,46	8,71,43	8,11,76	11,50,17

JOINT STOCK COMPANIES AT THE END OF THE FINANCIAL YEAR (Contd)
1941-42 to 1951-52

(Paid-up Capital in Rs. '000)

Year	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52
Cotton Ginning, Pressing, Baling, etc.											
No.	149	151	156	157	169	175	174	180	187	181	200
Paid-up Capital	2,87,59	2,88,58	2,94,77	3,01,99	3,21,30	3,03,93	3,78,93	4,13,10	5,13,14	5,35,85	5,78,28
Jute Presses, etc.											
No.	48	53	54	52	54	62	63	66	66	67	77
Paid-up Capital	1,08,78	1,28,26	1,37,63	1,48,53	1,86,20	1,86,35	2,08,34	2,19,74	2,59,46	2,22,08	2,73,61
Flour Mills											
No.	34	35	33	34	39	40	42	44	48	52	53
Paid-up Capital	1,37,60	1,74,35	1,74,18	1,78,05	1,94,03	1,75,01	1,92,42	2,12,84	2,48,85	3,09,96	3,05,82
Estate, Land and Building											
No.	294	321	340	369	436	593	666	748	797	841	891
Paid-up Capital	13,43,91	13,73,60	14,31,00	15,55,44	16,12,72	17,46,97	2017,63	22,05,28	23,77,87	25,52,10	26,97,29
Sugar (Including Jaggery)											
No.	181	166	165	165	168	182	182	189	200	205	202
Paid-up Capital	12,31,34	12,37,40	13,18,11	14,35,39	14,87,78	18,07,45	19,25,70	21,96,24	24,64,89	25,05,06	26,98,45
Other Companies											
No.	9,15	1,035	1,078	1,154	1,460	2,105	2,256	2,602	2,906	3,067	3,164
Paid-up Capital	10,33,92	11,02,03	11,97,55	13,29,15	17,87,78	20,61,34	29,65,22	32,35,75	42,71,50	44,96,64	46,66,90
GRAND TOTAL											
No.	12,049	12,770	13,689	14,859	17,347	21,853	22,675	25,340	27,200	28,529	28,242
Paid-up Capital	3251940	3361309	3537411	3889715	4242412	4794733	5695633	6283112	7224480	7723965	8301574

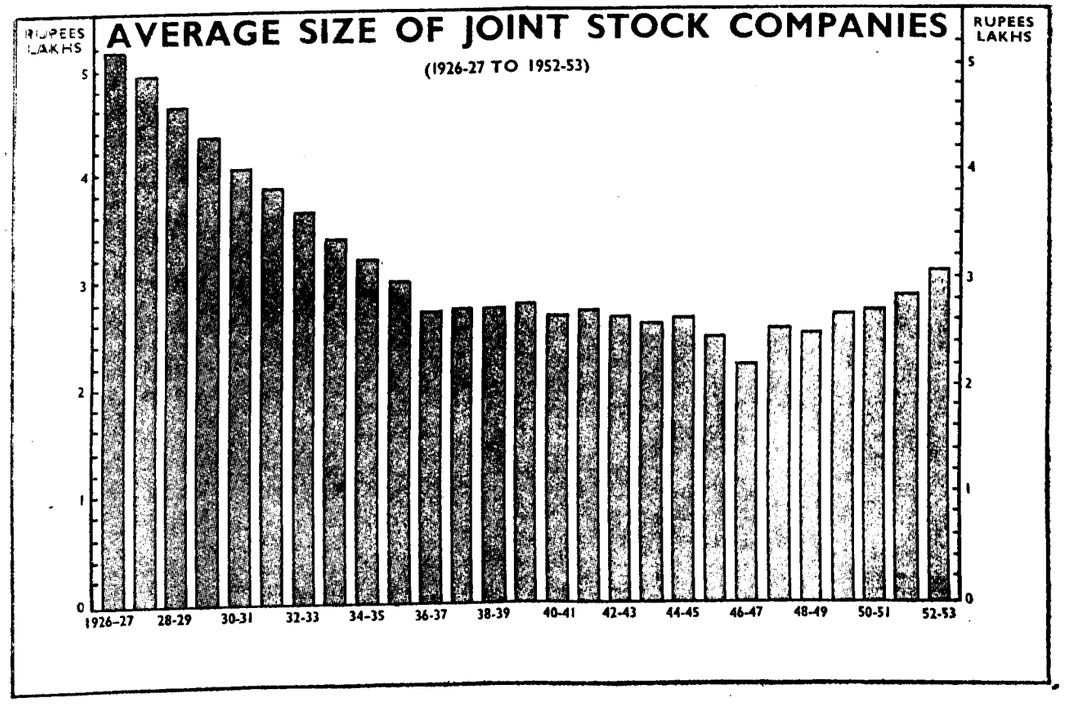
All figures relate to undivided India up to 1946-47 and thereafter to Indian Union only.



ANALYSIS OF PRIVATE LIMITED COMPANIES ACCORDING TO NUMBER OF SHAREHOLDERS EXERCISING CONTROL

Minimum number of shareholders who account for 50% or more shares	Number of Companies with paid-up capital						
	Not more than Rs. 1 lakh	More than Rs. 1 lakh but not more than Rs. 5 lakhs	More than Rs. 5 lakhs but not more than Rs. 10 lakhs	More than Rs. 10 lakhs but not more than Rs. 50 lakhs	More than Rs. 50 lakhs but not more than Rs. 100 lakhs	More than Rs. 100 lakhs	Total
1	611	230	53	32	12	6	944
2	616	255	34	31	—	1	937
3	293	134	19	13	1	—	460
4	135	91	10	11	1	—	248
5	75	48	9	5	—	—	137
6	49	25	1	2	—	—	77
7	14	25	2	4	—	—	45
8	21	15	—	2	—	—	38
9	17	9	3	1	—	—	30
10	10	12	—	—	—	—	22
More than 10	32	31	3	—	—	1	67
Total	1,873	875	134	101	14	8	3,005

The consolidated data supplied by the Income-tax Department was drawn upon in the above form by the Taxation Enquiry Commission. While the actual number of private limited companies assessed to tax was 4,589, data was available for only 3,005 companies.

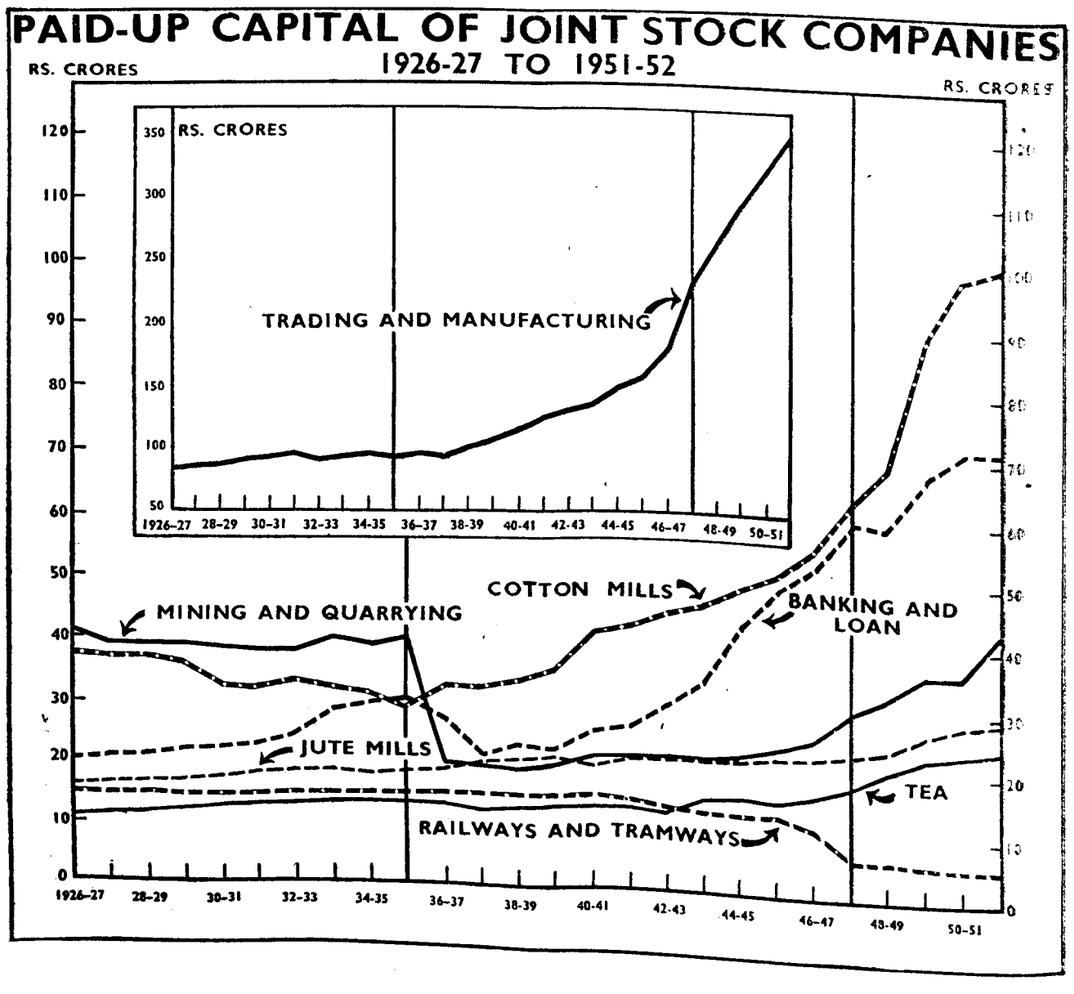


Average size of a Company = Total Paid-up Capital/No. of Companies.

ANALYSIS OF PRIVATE LIMITED COMPANIES ACCORDING TO PERCENTAGE OF SHARES HELD BY THE LARGEST SHAREHOLDER

Paid-up Capital	Number of Companies in which the percentage of shares held by the largest shareholder is:					
	1-10	11-25	26-50	51-75	76 or more	Total
More than Rs. 1 lakh but not more than Rs. 5 lakhs	18	47	45	17	16	143
More than Rs. 5 lakhs but not more than Rs. 10 lakhs	8	33	33	19	19	112
More than Rs. 10 lakhs but not more than Rs. 50 lakhs	5	41	24	12	17	99
More than Rs. 50 lakhs but not more than Rs. 100 lakhs	1	1	—	4	6	12
More than Rs. 100 lakhs	—	—	2	2	2	6
Total	32	122	104	54	60	372

Note:—Out of 3,005 private companies which form the subject-matter of the Table on page XV, a sample of 372 companies was 'selected' by the Taxation Enquiry Commission.



THE EASTERN ECONOMIST BLUE SUPPLEMENTS

VOL. 1, NO. 2. AUGUST 26, 1955. SINGLE COPY AS. 8.

The Indian Coal Industry

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The Challenge in Coal

'THE EASTERN ECONOMIST' has chosen the subject of the Indian Coal Industry as the theme of its second Blue Supplement with a purpose. The purpose is to highlight the extent to which the problems of this basic industry reflect, more than in miniature, the basic uncertainties of the whole economy at this time. In the first place, coal feels more acutely than any other industry in the Indian Union the impact of the severe transport bottleneck. In the second place, the problem of nationalisation—or the threat of nationalisation without adequate compensation after the Fourth Amendment to the Constitution—is more operative in this industry than in any other. This is largely because of the vast investment that is required in the great majority of mines to obtain first class deep-mined coal. Thirdly, there is the challenge here, more deeply than elsewhere, of the Welfare State, and the price that is to be paid for its coming.

Welfare was greatly needed in the mining areas: no one need deny that the mining areas needed immediately after the war an extra dose of welfare. But there arise two questions. The first is whether it is proper that the same spate of welfare should be imposed on this industry during a period when production and welfare may well be not complementary, but competing. Secondly, there is the problem of price. The logical implication of special welfare in the coal industry is a rise in the price of coal which is the only means by which it can be financed over the long period without a major reduction of incentives. The price of coal has, however, been held rigid and it is rigid both ways, meaning that price is inflexible to lower supply as well as to higher demand. This can only mean that someone else pays a portion of the bill. Thus all in one piece there are concentrated in the coal industry problems of transport, problems of nationalisation, problems of welfare and problems of price. Which industry can claim to have anything like these problems in anything like the same degree?

In the articles which follow an attempt is made to deal as comprehensively as is possible in short compass with each of these major problems of the coal industry. There is presented a producer's view and a predominantly consumer's view. But 'The Eastern Economist' accepts neither view by itself. There is more to every industry than producer and consumer. Coal is not merely a raw material for other industries. It is a universal element in the cost of living; paradoxically it enters into the cost of living even of those who do not use coal. This is because everything seems to have a coal component, brick for houses, cloth for apparel, and of course transport by rail or by road. Coal has, therefore, far-reaching effects on the economy and not only on the direct users or the direct producers of coal. This makes the coal industry strategic from the point of view of the whole economy, and since the convenience of coal has social implications, coal is part of the social welfare of the people. A higher price of coal means less welfare for the community. This makes it necessary to enquire whether welfare in the coal industry is a good national, as well as a good sectional, objective. The answer may be in the negative.

The coal miner working in the bowels of the earth deserves all the sympathy which belongs to those who pursue, for no fault of their own, a life in darkness and oftentimes in danger. No one dare ask today that exploitation in this industry should continue. On the other hand, no one should be so blind as to fail to recognise the tremendous advances that have been made in the standard of living of workers in the coal industry. One of the studies of the statistical section of this Supplement shows that the rate of rise in wages in the coal industry has been the highest in all Indian industries; the standard of living of the Indian miner since 1946 has certainly advanced much more steeply than has the general standard of living in the country as a whole. It started, perhaps, from a lower base but this does not imply that an unequal rate of rise is everywhere justified. The problem of welfare in the coal industry must be tempered with social justice in a somewhat larger sense than is usual-

ly contemplated. Social justice which takes from the rich in order to benefit the poor is ordinarily warmly to be welcomed. Mistaken social justice, which selects arbitrarily one small section of the poor and benefits it at the expense of the rich and poor without discrimination, is a far more questionable objective of policy. The coal industry is at the point of doubtful choice; it may be asked whether this is not a time for stabilising its minima and relating all new rises to output.

It may be that in the process of working out a solution of the problems of the second Five-Year Plan, incentive will be seen to be no less necessary to labour than it is to management. The implication of the previous statement that the coal industry may be suffering from misdirected welfare is not that welfare should be denied to the worker, but that the rewards for labour or total receipts in a wage sense must be related to output. We have had too much talk of a minimum standard of living and too little talk of a minimum standard of ouput. Let the standard of living be raised everywhere; but let us recognise that when it is raised without output it is a tax on the community. Is the coal worker today entitled to further welfare at the price of the community? Or should he be asked to raise himself by his own effort? That is one of the major issues of the Plan. If more resources are thrown into this industry without proportionate output, this means that welfare is purchased here at the expense of the standard of living elsewhere. Coal, more than any other industry, poses this issue. How much Welfare? At whose cost?

The Coal Industry and the Plan

The Producer's View

(CONTRIBUTED)

INDIA at present produces 37 million tons of coal per year. The bulk of the production comes from Bihar and West Bengal, which between them account for 29.6 million tons. Madhya Pradesh produces about 3.5 million tons and the balance is raised in Hyderabad, Vindhya Pradesh, Orissa and Assam.

It has been estimated that by 1960 the demand for coal will rise to 60 million tons and this calls for a rapid increase in production of 62 per cent over the present level within the comparatively short period of five years. It is axiomatic that coal plays a vital part in the industrial life of the country as a whole and it is, therefore, manifest that for the successful implementation of the country's second Five-Year Plan, the plan for coal should be most carefully designed, so that the foundation on which so many other industries will have to depend may not be weak. This is of pivotal importance.

Of the 37 million tons being produced at present, 34 million tons of coal are raised from collieries in the private sector and 3 million tons from Government owned collieries. In the past the coal industry has, by and large, been able to produce all the coal which the country has demanded and if on occasions individual consumers have run short of supplies the cause is to be found in circumstances beyond the control of the industry as experienced during the war years or in the limitations of the transport system. At the end of the war, the Indian Coalfields Committee carried out a most thorough survey of the industry and in their Report published in 1946 anticipated the need for increased production of coal to keep pace with the country's large scale plans of industrialisation. The coal industry responded to this call and from a total production of 22 million tons in 1943 it was successful in raising output to 36 million tons by 1952.

Today when the country is again in need of a further rise in production on a more spectacular scale than ever before, the industry is both able and eager to play its full part in fulfilling the country's requirements. Out of the extra 23 million tons required to be produced by 1960 the industry has stated that it is in a position to raise 16 million tons from the private sector. On being asked to advise the Government as to what facilities they required to enable them to expand production, representatives of industry pointed out that they should be given security of tenure in their existing leasehold areas for a reasonably long period of time which would enable them to expand the output from their existing mines as well as to sink and develop new mines. This request was made because for some time past the threat of nationalisation has hung over the industry like the sword of Damocles and there has been an air of uncertainty about the future—giving rise to doubts and fears.

In 1948 the Industrial Policy Resolution of Government had envisaged the possibility of nationalisation after 10 years, of which only 3 years now remain. This in itself had naturally given rise to uncomfortable apprehensions but at any rate the industry had felt that if Government were to decide on nationalisation, full and fair compensation would be paid in accordance with the provisions of the Constitution. This safeguard has, however, been removed by the Constitution (Fourth Amendment) Act, 1955, which no longer makes it necessary to pay full compensation as previously understood, for inter alia "the extinguishment or modification of any rights accruing by virtue of any agreement, lease or licence for the purpose of searching for, or winning any mineral or mineral oil, or the premature termination or cancellation of any such agreement, lease or licence."

When the private sector made the request that they should be left undisturbed in their present leasehold areas they covered in their request not only the areas occupied by working collieries but also areas held in reserve for future development. Coal being a wasting asset the life of every colliery is necessarily limited and, therefore, every prudent coal company has to keep areas of coal-bearing lands in reserve for development in future when the older mines are exhausted. If these reserved areas are compulsorily taken away the private sector will inevitably be condemned to a period of gradual disintegration ending in complete exhaustion of the coal resources under its control. When asking to be left undisturbed in the present holdings the industry at the same time offered to hand over to Government such areas within their leaseholds as they would not require or would be unable to develop within the foreseeable future.

This request from the private sector, taking into account the peculiar circumstances of an industry like coal which works a wasting asset, can hardly be construed as unreasonable. The request was made not by way of demanding a guarantee from Government, without which the co-operation of the private sector would not be forthcoming, but by way of requesting the Government to recognise the necessity of ensuring some security of tenure if the potentialities of the private sector were to be fully mobilised. In this connection it is sometimes mentioned that the steel industry had not made any such request for security of tenure although at one time they had shared apprehensions similar to the coal industry. The private sector in the steel industry had decided to put into operation large-scale development plans without any form of assurance and consequently it should be open to the coal industry to do the same. This parallel ignores the basic difference between the natures of the steel and coal industries. If you limit the coal industry to certain definite dimensions you are automatically limiting its life. In the steel industry on the contrary, if the private sector is limited to a certain quantum of production, the number of years during which it can continue to produce this quantity is not limited to anything like the coal industry. Secondly, the recent amendment to the Constitution which has been mentioned above, specifically refers to the mineral industries and presumably, therefore, the fears of the coal industry regarding compensation do not necessarily apply with the same force to the steel industry which is primarily concerned with manufacture and not mining.

In considering the merits of nationalisation or the alternative of practically freezing the private sector to its present size whilst simultaneously developing the public sector, it is most important not to be carried away by pre-conceived ideas. In the unfolding pattern of India's industrial progress vast fields of development are open to the public sector, some of them completely new and full of promise. When we talk of nationalisation or of expanding the public sector we have to consider dispassionately where public funds could be employed with the greatest advantage and in doing so the selection has to be made from a multitude of available alternatives.

In relation to coal there is already a well organised industry fully equipped to produce the bulk of the additional requirements of the country. Through the Mines Act and other legislative measures the Government can easily ensure that mining is carried on in the most scientific manner. In cases where small and uneconomic units exist they can without much difficulty be amalgamated to constitute more rationalised units. The Government already controls the coal industry in practically every phase of its operations both as regards raisings as well as distribution. It is necessary, therefore, to consider carefully as to what particular advantage is to be gained by either taking over or freezing the existing industry within certain dimensions so that the responsibility for future development, financial or otherwise, falls primarily on the public exchequer.

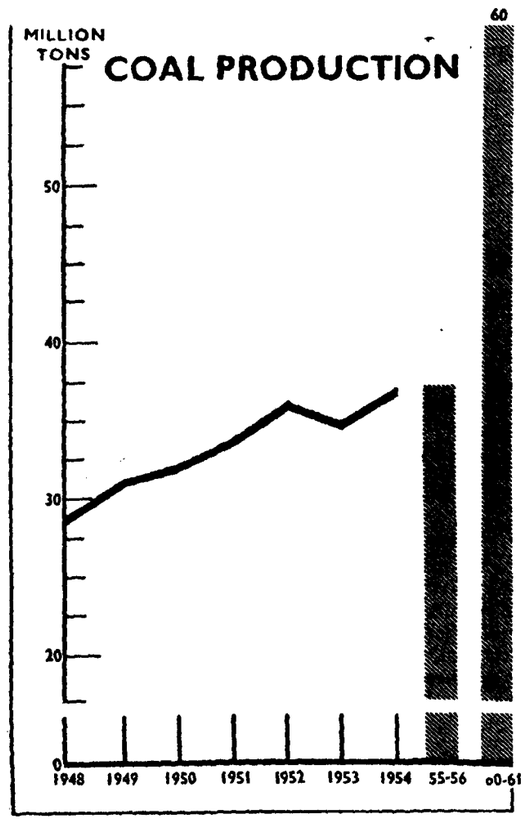
In this connection one should also take into account the past performance of Government-owned collieries as compared with collieries within the private sector. The 11 State collieries which are in operation today enjoy certain very definite advantages and favourable conditions. They comprise some of India's richest coal mines working some of India's thickest seams. Inadequacy of transport which presents one of the most formidable problems to the collieries in the private sector is unknown to State collieries which are accorded preferential treatment in the allocation of wagons. Despite these advantages it is somewhat paradoxical that the costs of raising coal at the State collieries are higher than those in the private collieries, and that out of the 11 State units 8 or 9 are known to be running at a loss. If the performance of the existing units in the public sector is to be taken as a guide, the expansion of the public sector would almost inevitably result in higher costs of production than are prevalent in the private sector. This in turn would necessitate either subsidies to the State owned coal mines or increases in the selling prices of coal beyond what would be required by the private sector, with its consequent repercussions on consumers all over India, and particularly on other Indian industries. As regards price increases in State enterprises, a recent example is available from the United Kingdom where only a month ago an increase has been announced by the National Coal Board in the prices of all grades of coal by about 18 per cent. As a result the country is faced with increases in the prices of coke, gas, electricity, railway fares, freight charges, etc., not to mention increases in the prices of a host of industrial products.

There would appear to be an absence of mature thinking if vast sums of public money are expended in developing the public sector in coal when the same funds could with far greater advantage be used in other directions.

There is another aspect of State enterprise in coal which should not be lost sight of, i.e. the vexed question as to whether it lies within the competence of the Central Government or the State Governments concerned to develop the mineral resources. This question has recently received prominence in the case of the Kolar Gold mines. In West Bengal and Bihar, the two main coal producing centres in the country, ownership in minerals now vests in the State Governments. In the 1948 Industrial Policy Resolution, which had contemplated the possibility of nationalisation after a period of 10 years, the word "State" had been defined as either the Central or State Governments. It would appear possible, therefore, for State Governments to take over coal-bearing lands themselves for the purpose of development. Their position is strengthened by changes made in the Mineral Concession Rules, Clause 26(4) of which originally read as follows:

> "In case the State Government wants to work any mineral specified in Schedule 4 departmentally it shall obtain prior approval of the Central Government."

This clause was deliberately deleted in 1953, thus leaving the way open for State Governments, if they



so desired, to take over virgin areas themselves for the purpose of development without the concurrence of the Centre.

Whatever may be the authority under whose auspices the coal resources of the country are to be developed in future, there are two vital problems which must be tackled to make the plan for coal a success. The first is the problem of transport. Inadeqacy of transport has always acted as a halter round the neck of the coal industry and this inadequacy is reflected in vast accumulation of coal stocks at the pitheads every year. Taking the Bengal and Bihar fields as examples the pithead stocks at the end of March each year during the last six years were as follows:

Years	Tons
1950	1,883,000
1951	2,180,000
1952	2,894,000
1953	2,864,000
1954	3,321,000
1955	3,198,000

These stocks are a measure of the extent to which transport capacity lags behind productive capacity and if the country's productive potential is to be raised to 60 million tons by 1960 all efforts for achieving this new momentum in raisings would be frozen in futility unless transport were to keep pace with it. This involves the provision of not only wagons in large numbers and of locomotives, but also increases in line capacities and the removal of junction and other limitations. The names of Moghalsarai, Waltair, Agra East Bank and a host of other stations stand out as landmarks in the history of the coal industry for they constitute formidable bottlenecks which obstruct the even flow of wagons containing coal to those who need them urgently.

The second basic problem which must be tackled with vigour is that of technical personnel. The personnel required may be divided into 3 main categories:

(a) Managers, Undermanagers and Surveyors,
(b) Overseers and Sirdars,
(c) Fitters, Electricians and Mechanics.

As regards category (a), an immediate expansion is necessary at the main training centres which are the Indian School of Mines at Dhanbad and the Banaras Hindu University. It has been calculated that the increase required in the number of all kinds of technical managerial staff would be of the order of 150 within 5 years, and thereafter replacement would be required at the rate of about 50 per annum. As regards (b), it is estimated that some 300 persons would be required to be trained each year and facilities for both theoretical and practical training should be afforded on a planned basis. In category (c) come Fitters, Electricians and Mechanics whose technical value to the industry is often underestimated but it is understood that Government already has under consideration schemes for training technical personnel within this category on the scale required by the coal industry.

On the eve of the second Five-Year Plan the resources of the country are ranged in serried ranks as it were on a field of battle before the forces of the enemy—the want and suffering of the Indian peoples. To overwhelm the enemy successfully it is necessary to join in combat simultaneously on several fronts and in deploying his forces to the maximum advantage the Commander has to consider not only the strength of his own resources but also the potentialities of his allies. On the coal front, the Government have a potentially powerful ally in the coal industry which is keen to mobilise its entire resources under Government's overfull, instead of being hedged in by limitations, public funds could be diverted to other spheres of equal importance. In the formulation of its final policy it is of great importance that Government should not sacrifice a sober assessment of the issues involved at the altar of out-worn dogmas and cliches.

Coal in the Next Five Years

The Consumer's View

By

DARAB C. DRIVER

(Chairman, Coal Consumers Association of India)

THE draft frame-work of the second Plan requires by 1960-61 an annual output of 60 million tons of coal out of which about 16 million tons will go to produce about 12 million tons of washed coking coal for the operation of the three new steel works at Rourkela, Bhilai and the one to be located near Sindri or Durgapur, and for the expansion of the existing Tata and Indian Iron & Steel Works.

Coal has become the pivot on which the whole plan for the public and private industrial sectors will move. The extraordinary demand for the annual coal supply of 60 million tons by 1960-61 has been accepted by the Production Ministry so far as the State collieries and new coalfields are concerned, and also by the Associations of coal producers, but not yet whole-heartedly by the Ministry of Transport who have their doubts and difficulties.

The second Plan will suffer diminution in its purpose and effect if the target production is obstructed by the incapacity of transport to move coal to destination; hence the importance of adequate transport in the fulfilment of the industrial section of the Plan.

After enduring the havoc of World War II and the appalling upset and confusion caused by the partition, the degree of rehabilitation already effected by the Railway Board is an achievement of great magnitude which inspires confidence that the Transport Ministry will be capable of meeting the demand to move about 55 million tons of coal by 1960 (after allowing for coal required for colliery uses and coal carried by lorries), provided adequate finance is not stinted by the Government and foreign supplies and equipment are not delayed.

In the first Five-Year Plan, the Railway Ministry asked for more funds than they were given and the result of this parsimony is that, while the present annual output of coal is 37 million tons, the Railways could move only 32 million tons. In the tentative frame-work of the second Five-Year Plan, there is a provision of about Rs. 900 crores for transport and communications which is obviously insufficient for the great responsibility put on the Railways under the Plan. The sanction should be nearer Rs. 2000 crores than Rs. 1500 crores, considering the inevitable rise in price of coal and foreign steel. Industries in the private sector are vitally concerned in the successful transport of the 60 million tons by 1960-61, because if the transport fails, whatever is available will be diverted to carry coal for the public sector which will receive first priority and only the balance left will be distributed within the private sector.

Metallurgical industries like steel, ferromanganese, etc., are interested in the washing of metallurgical coal in order to get consistent quality of coal with low ash. One per cent increase in ash generally means three per cent reduction in blast-furnace yield. The present problem of the Production Ministry is to provide for about 11 to 12 million tons of washed coking coal for the three new State steel works and the expansion of existing Steel Works of Tatas and Indian Iron. There are many proposals in the field. Central washeries in the Jharria coalfield, for washing coal of neighbouring amalgamated collieries, is not immediately practicable because of difficulties of amalgamation, transport and washing of different quality coals. Another suggestion before the Government is that instead of having central washeries for supply of washed coal to the steel works, each of the new steel works should have its own washery and get its coal from a number of Jharria collieries assigned to each of them. Apart from the difficulty steel works will have in the disposal of rejects and of middlings with about 30 per cent ash resulting from washing, the main difficulty will be to wash the mixture of coal with different ash percentages coming from a number of collieries.

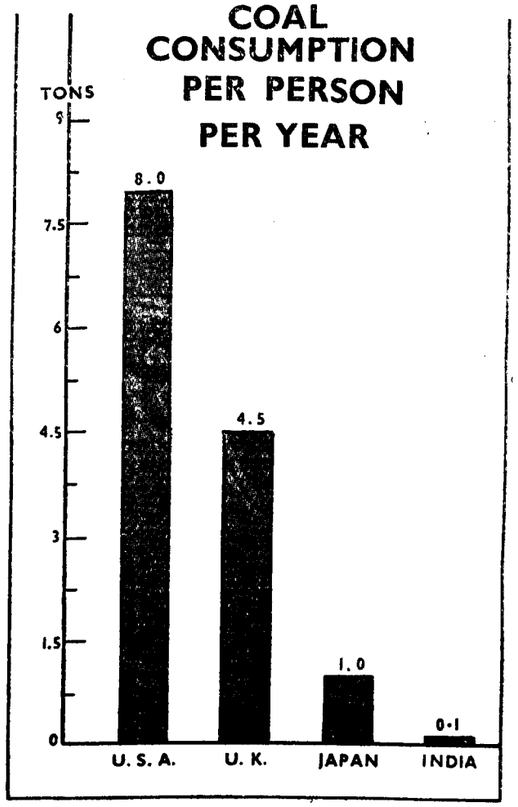
In the circumstances, the already tried method of procuring coking coal more or less of the quality required, followed by the Tata Steel Works, should be acceptable to the Government. Tatas have two washing plants, one at their West Bokaro Colliery of 0.6 million tons yearly capacity and the other of the yearly capacity of 1.5 million tons at their Jamadoba group of collieries. The result is that Tata's washeries get their coal with minimum variation from their own two colliery groups and not from a number of outside collieries with varying qualities of coal which would make washing very difficult and uneconomical. As regards the State steel works at Rourkela in Orissa and Bhilai in Madhya Pradesh, it is understood that the existing State collieries of Bokaro and Kargali will be equipped with washeries to provide the main supply of washed coal for these two steel works and any shortage of coking coal will be made good from suitable coal from the Jharria field. The new Lodna Washery of 0.4 million tons capacity will take care of the expansion of the Indian Iron and Steel Works, supplemented by their present supplies of good quality coal. As regards the new British steel works, either a new washery in the neighbourhood or expansion or duplication of the existing Lodna Washery, supplemented by good quality coking coal in the neighbourhood should be considered.

For Tata's new expansion programme, a third washery of medium size near their Bokaro Washery with long-term rights over the coal to be washed and the working of their existing Jamadoba Washery to full capacity with coal from neighbouring collieries would practically meet their further requirements of washed coal.

The solution of the problem of making available adequate supplies of washed coal for the new and old steel works creates in its turn the problem of how to dispose of the resulting middlings with 30 per cent ash. The practical solution would be their use in large thermal power houses generating electricity. In the railway electrification plan, Howrah-Kharagpore track is to be electrified in the third stage and ultimately the electrification of the line will have to be extended to the steel towns of Tatanagar and Rourkela and beyond; also many subsidiary industries will grow up near these steel works. Electricity generated from thermal stations fed with middlings from Tata's and Bokaro-Kargali washeries can be utilised for the electrification of the track suggested above and for the subsidiaries to come. We understand the Government department in charge of Bokaro and Kargali collieries is negotiating with the DVC to take up the middlings of the proposed Bokaro and Kargali washeries and the DVC, conscious that they are the only consumers of middlings, are inclined to give a very low and uneconomic price for these middlings. We trust this phase of sharp haggling will soon be over and one Government project will help another instead of hindering and delaying it.

The steel industry will get priority treatment in case of shortage of coal or transport. But industries of low priorities should consider how to guard against short supplies of good quality coal and inadeqate transport during the intermediate period before the second Five-Year Plan's requirements of about 60 million tons of coal and its transport are completed. Some factories on the Saurashtra side where oil is available relatively cheaply are considering adjustment of their boilers to run either on oil or coal. Messrs. Tata Chemicals Ltd. have already made this adjustment and they are also preparing to use lower grade coal for their boilers. This seems to be a prudent course of action for works situated far away from coalfields and using higher grades of coal.

As the Plan progresses and the new Korba coalfield in Madhya Pradesh is developed and existing collieries of Central India and Singareni coalfields increase their production, the situation both as regards supplies and transport of coal to factories in Western India and Southern India will very much improve. But it would be prudent to anticipate that, in the revolutionary changes to be effected in the second Plan both as regards production of coal and its transport, there would be delays here and there beyond the target dates.



Coal Nationalisation: Lines of Policy

IT is rather curious that the question of coal nationalisation should have arisen with a sense of urgency at this stage when it is absolutely certain that there will be increased scope for both the private and public sectors in the next five years to expand output. The exact shares of the new output to be allotted to the two sectors is not the real issue. Whether the share of the additional output (of 23 million tons) to be allotted to the private sector is 8, 11 or 15 million tons as variously suggested, it is clear that its existing levels of working cannot be abridged. Since there are important limitations to the enlargement of the public sector, from the existing level of output of 3 million tons to the ambitious maximum of 18 million tons now set for it, there is always scope for the private sector to enlarge itself further in this field, in order to meet the coal requirements of the economy while the public sector takes its time to grow. The public sector will have to depend mostly on new investment in new enterprises to fulfil its share, whereas the private sector is in a position to expand the working of existing mines, and can, because of its experience, more quickly instal new working.

So, it is understandable that the public sector should, as is generally reported, not seek to acquire existing private mines in the next few years. This may seem to make the question of guarantees against nationalisation or of adequate compensation for acquisition, usually sought by the private sector, rather academic. At the same time, however, it has to be remembered that Government has declared its intention to take over unworked areas including those covered by existing leases, leaving only what is in its opinion just enough to provide the additional output required of the private sector. The implications of this policy—whether it would leave enough to maintain even existing levels of output while permitting moderate expansion—are not clear and much depends on the actual method of carrying out this programme. It can be framed constructively or it can be designed to squeeze out the private sector which is being called upon to make intensified efforts, involving also new investment based on long-term calculations of the future. Such long-term calculations have been recognised as legitimate; the Indian Coalfields Committee, 1946 thought, for example, that a mining lease should be given initially for a period of 60 years and renewed for another 30 years. It is not, therefore, improper for private business men concerned in this industry to reassess the future in a strictly practical manner before deciding on further commitments. The view that such requests for assurance or guarantee are always improper or undesirable wholly ignores these considerations, on which alone financing private business would always depend.

Whatever uncertainty exists now in the minds of the managements of mining companies has not been of their making. The Industrial Policy Statement of 1948 selected coal as one of the basic industries and laid down that the establishment of new undertakings will be done by the State—which in this context includes the Central and State Governments and other public authorities, like municipal corporations. As the law stands at present, the State Governments are the owners of the mineral rights in the areas under their jurisdiction and whatever policy is decided upon in respect of coal or other minerals, there must first be the certainty that it can withstand the tests arising out of this conflict of jurisdiction. Parliament's authority to regulate mines and mineral development may override the States' exercise of the mere rights of ownership of mineral wealth but legislation as it stands at the present time is not comprehensive enough to define the respective spheres of authority.

The Industrial Policy Statement of 1948 emphasised the inherent right of the State to acquire any existing undertaking in the public interest but stated that the whole matter would be reviewed at the end of ten years. The Prime Minister has been reported to be of the view that there was not much point in the period thus prescribed but, in any case, no uncertain factors can be allowed to intervene in 1958 while planning now for further expansion. Though the possibility of nationalisation has existed all along in the last seven years, the offer of "fair and equitable" compensation in the policy statement itself and through the Constitutional provisions have hitherto consoled those who were apprehensive. It is the Constitutional amendment that has instilled new fears now. The manner in which radical legislation is being put through, whether on companies or on the private gold mines of Mysore under cover of this Amendment, shows that fears entertained are not wholly imaginary.

The question has been asked as to why the coal industry alone should be apprehensive. The answer lies in the special provisions in the Constitutional Amendment relating to extinguishment or modification of rights to minerals—which do not apply even to other basic industries like steel. Secondly, the Statement of Objects and Reasons in the Amendment Bill declared that the object was to take "full control over the mineral and oil resources of the country, including, in particular, the power to cancel or modify the terms and conditions of prospecting licences, mining leases and similar agreements." And finally, the Prime Minister's statements on the question of compensation have remained ambiguous, suggesting that the principles would vary in each case, presumably according to the emotional responses to the history of each property and the interests involved.

Those who have to add fresh investments on a substantial scale will necessarily have to be encouraged either by assurances of non-acquisition for any specified period or by offer of reasonable terms of compensation. Otherwise, it would be too optimistic to assume that the private sector can function effectively with the enthusiasm necessary for expansion on the scale planned. Government's answer seems to be that all new investments made hereafter will be reimbursed in the event of acquisition. Would this be adequate? This implies again that there will be different principles for compensating investments made up till now and those to be made in future—which can have no justification in principle. The investments hitherto have contributed as much to the national interest as those to be made hereafter will contribute in future. There can be no shadow of suspicion about this contribution because in coal, production, prices and distribution according to priorities fixed in the public interest have all along remained outside the decisions of the private sector, unlike other non-essential industries where such regulation did not fully prevail. So the special suggestion about reimbursing future investments may be good as far as it goes but it only reaffirms, by implication, the uncertainty that exists about the present which does not indeed provide the climate for robust optimism about the future.

Apparently this offer regarding future investments is based on the analogy of Section 18 of the British Coal Nationalisation Act 1946, which guaranteed to private miners a similar reimbursement of investments made between the dates of vesting and of taking possession. That was only akin to the rights under ordinary real property law of a tenant or mortgagee for reinbursement of expenditure incurred to maintain the value of property. Under the British Nationalisation Act, compensation (at £164 million) was

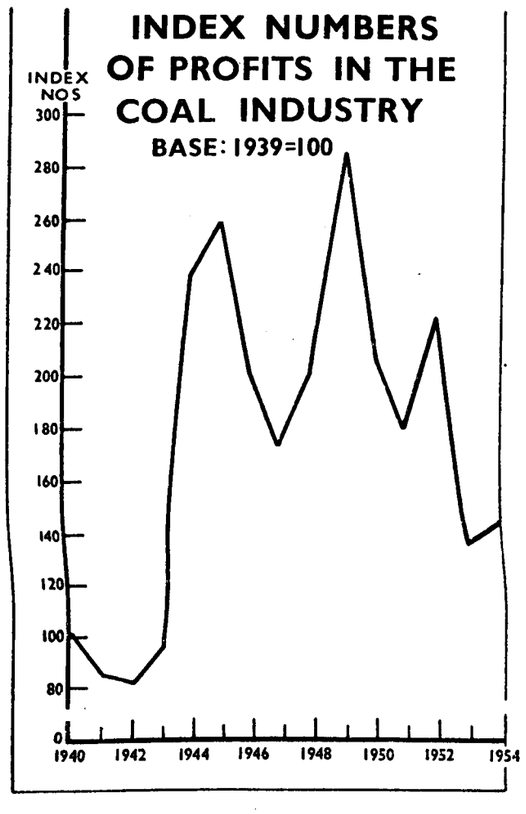
settled by an independent judicial tribunal. This precedent can hardly apply to our situation which is very nebulous so far as private interests are concerned. It can be clarified now at least by announcing the principles on which compensation will be awarded in the event of acquisition by the State of existing undertakings. There should be no difficulty involved in this because as the Prime Minister often stated during the debates on the Constitutional Amendment, the object of Government is not to deny compensation but only to make it non-justiciable. What is sought by private interests now is only more concrete proofs of this general and rather vague assurance; this is understandable in the coal industry in which investments cannot proceed regardless of the outlook for the long term.

Where fresh investment has to assume a certain scale of expansion, Government's approval must follow as a matter of course at all stages once that initial investment is approved. But in virgin areas covered by existing mining leases, where such new undertakings are prevented by the mere withholding of approval, mining rights would become useless. In cases where the State wishes to take them over for fresh ventures, the terms of compensation for surrender of title will have to be settled; but where they are not so taken over, there will be a diminution in the value of the total assets of companies by the mere refusal of permission for new operations. If the declared policy is that expansion will not be prevented except where the State wishes to take over (for immediate or future mining) on payment of compensation, there should be less reason for anxiety on the subject. Additional areas needed for the expansion of the public sector can always be found by negotiations with the State Governments for areas not now subject to leases and with the private holders of lease who have been ready to negotiate on their surrendering unwanted areas to the State. This certainly is not going to be a problem requiring drastic measures of legislation which always tend to exceed its purposes and create greater uncertainty by its sweeping declarations, which often have no relevance to the issues to be settled.

It would not follow from this that all leases, some of which are indefensible if judged by the national interest, would be allowed to exist. In the past, most of these leases were obtained in the 19th century either before regulations came into force in British India or from Zamindars and Rulers of Indian States who granted leases virtually in perpetuity, for periods ranging from 99 to 999 years. Already Section 7 of the Mines and Minerals (Regulation and Development) Act of 1948 enables the framing of rules for modifying and altering the terms and conditions of all mining leases granted prior to the Act so as to bring them in conformity with the rules under the Act. Before the rules are framed, a number of points arise for decision; for example, in imposing restrictions regarding the maximum area of leases, the Government will have to take account of the extensive sub-infeudation that has prevailed and decide at which level the maximum limits regarding size would be applied.

Besides the powers of the Central Government in this matter, some of these questions have been already decided by the West Bengal Government within the scope of its legislation for the abolition of the Zamindaris. All intermediaries operating mines directly are now treated as holding leases from the State Government and leases granted by the Zamindars are treated as leases granted by the State. Section 32 to 34 of the West Bengal Estates Acquisition Act 1953 have defined the terms of compensation and provided for adjudication by a Mines Tribunal. The Act has also provided that all such leases in which the State Government has substituted itself, should be consistent with the provisions of Central legislation regarding the grant of mining leases and the modification of existing leases. The West Bengal law has received the assent of the President of India, the constitutional implication of which is that it has the approval of the Central Government. It implies that the latter has acquiesced in the principles laid down by the Act in respect of mining rights and compensation therefor; the question is whether similar principles would be adopted even in respect of other leases which are similarly determined by the Central or other State Governments. The West Bengal law provides, for example, for a year's time in cases where a holder of a lease had not done any prospecting, and where any development or prospecting has been done, there is provision for adding an amount equal to the actual expenditure on works or operations, to the compensation payable to the lessee.

If there is at all any meaning in the Mineral Concession Rules which fix periods and areas of leases, it is that these periods are deemed essential for mining operations. On coal, these rules lay down that two successive periods of 30 years would be the maximum for a lease and the private sector was in effect demanding only a similar period of immunity in the areas demarcated for its operations. That is certainly not an unreasonable demand to make and any Government which intends to honour its own rules could have given the assurance. The argument that a Government cannot bind its successors cannot be sustained without making all other existing regulations a farce and without impairing the value of its own assurances on future investments. Targets on paper alone cannot ensure their achievement when a justifiable feeling of uncertainty exists and no injury to the national interest is conceivable in offering assurances when the industry will always remain closely controlled in respect of all its operations.



Transport for Coal

MOVEMENTS of coal from collieries to consuming centres have always made priority demands on railway transport. But even so, acute shortages have existed. It is believed that today there is an unsatisfied demand for coal of the order of 3 million tons because of the failure of transport to provide wagons. Many industries are running with coal stocks, which are precariously at the minimum. The contribution of coastal shipping to the transport of coal in the post-partition period has been meagre owing to the rigidity of its operating costs, which makes shipping, paradoxically enough, costlier than rail transport for this basic raw material. A committee of enquiry is considering at present the problem of co-ordination between shipping and rail transport in which coal has called for special attention. Since the shipping industry is basing its grievances against the railways on the hypothesis that railway freight charges for coal are below the actual cost of transport and it is also asking for some measure of reservation of coal transport to itself, it should be plain that, despite the degree of accommodation that may be shown to coastal shipping for strategic considerations, the brunt of coal transport will have to be borne by the railways in the near future.

Total coal production is expected to increase from 37 million tons to 60 million tons in 1961. Since colliery requirements of about 5 million tons represent consumption at the source of production, transport will have to take care of the 55 million tons at the end of the next plan, or an additional provision of wagons for extra 23 million tons over the quantity of 32 million tons actually supplied in 1954. A breakdown of the progressive requirements of coal by the main classes of consumers will show where the additional wagon supplies will be needed. The largest increase in coal consumption is expected in the iron and steel industry and it is estimated at 7.5 million tons or a total demand of 11 million tons as against 3.5 million tons in 1954. This demand will be for the new Rourkela and Bhilai steel plants from 1958, adding pressure in a region in which there is already much pressure. Next in the order of volume is the increase of 2.7 million tons, or a total consumption of 14 million tons, in the case of the railways. It will entail wagon supply spread all over the country. This estimate takes into account an increase of 50 per cent in the effective transport capacity in which the new construction of 4,000 miles of railways is a major ingredient. The estimate is a conservative one, in view of the short or medium hauls of coal to the new steel plants.

Intense building activity is presumed to require additional 3 million tons, or 5 million tons in the aggregate, for brick burning. The demand of the cement dustry is expected to be about 4 million tons, or an crease of 2.5 million tons in the light of the produc- n target of 10 million tons approved for this indus- . This demand will require a spread of wagon pply over long distances. Coke oven plants will eate a much higher demand of 1.2 million tons. ectricity undertakings are anticipated to consume out 1 million tons more, or an aggregate of 3.5 illion tons. Chemical fertilizers will need 1.16 million ns in place of the current 0.29 million tons. The tton textile industry is unlikely to need more than addition of 0.6 million tons, or a total of 2.4 million ns. Paper mills will consume a little more than three- arters of a million tons due to the planned scale of velopment. In respect of other industries, the in- eases are of varying volume but mostly below a arter of a million tons. The lignite project in South rcot district is under further scrutiny but even if it materialises fully no reduction can be expected in the overall demand for North Indian coal in South India.

Provision of wagon capacity for coal on a really adequate scale must be assessed not merely on the basis of the direction of the consuming areas but, in a significant degree, on the basis of the location of collieries as starting points of transport. From this angle the demand in terms of average daily wagons from different regions of coalfields is projected as follows:

Requirements of Daily Average Wagons for Coal Despatches

Coalfield Area	1955	1956	1957
West Bengal & Bihar ..	4,370	4,455	4,432
Madhya Pradesh ..	298	303	301
Vindhya Pradesh ..	462	479	512
Talcher ..	42	45	45
Singareni ..	276	280	284
TOTAL ..	5,448	5,562	5,624

Since coal despatches are estimated to rise from 45 million tons in 1957 for which the above estimate has been made, to 55 million tons in 1960, representing an increase of 22 per cent, the total daily average requirements of wagons for all coalfields in 1960 may be put at 6,750. They compare with a daily average supply of 3,866 wagons for the year ended March 1952. The share of the coalfields of Bengal and Bihar in wagon requirements, which is 80 per cent of the total, ought to be underlined as it has a direct bearing on the aggregate stock of wagons, as distinguished from the daily average wagon supply at pitheads, which the railways have to earmark for coal movements. It implies that, excluding the one-fifth share of the iron and steel industry in coal consumption (11 million tons out of 55 million tons in 1960) an overwhelming proportion of coal movements will have to cover long hauls involving low wagon turn-round. The Railway Fuel Committee obviously assumed this inevitability of long distance transport for coal in judging the scale of expansion of rolling stock. If the Committee's estimate of an additional supply of 42,000 wagons for the carriage of an extra 15 million tons of coal is a correct guide, the anticipated increase of 23 million tons of coal movements in 1960 will call for an additional provision of about 63,000 wagons—48,000 broad gauge wagons and 15,000 metre-gauge wagons. Apart from wagon supply, railway development will have to make adequate provision for improved routing and transhipment facilities at Moghalsarai, Agra East Bank, Waltair, Viramgaon and Sabarmati as well as to lay double track in areas of chronic bottlenecks.

This indeed is a tall order for the railways. It is possible that coal production and demand—especially the lump sum additional demand of 5 million tons by small industries—may not be as high as is now assumed. Such shortfalls may mitigate the strain but transport will always have to be ahead of development in the future since free availability of facilities will generate economic activity more surely than if it lags behind as it does today. Other forms of transport if developed may also relieve the pressure on the railways. Only a million tons of coal are being moved by road today. The scope for road transport development is immense for demands other than for coal. The proposed navigation canal from Durgapur, which will serve the Raniganj coal area, may also relieve the railways of acute bottlenecks in this section in meeting the demands of industries in West Bengal and for export.

The Case for Coal Washing

ONE of the major problems relating to the coal industry which has received attention in recent years is that of coal washing. The question has arisen in the following manner. In India, the superior quality of coking coals is not overabundant and these moderate reserves have to be conserved for special use, in the iron and steel industry. The output in the seams containing coking coal is now pegged and the increasing demand for other uses makes it inevitable that the proportion of coals of inferior grades should increase. Most of the mines working good quality coal are in the de-pillaring stage when selective mining is not possible so that there is a deterioration in the quality of coals. Apart from the 'pegging' and the necessity to use inferior coals, there is also the fact that good coal is available only in the Bengal and Bihar zone coalfields. More than 80 per cent of the coal consumed in this country is used for cumbustion for generation of heat and power, and coals with about 10 per cent ash content are safe as well as desirable for such uses. But with increase of ash beyond 15 per cent there is a loss of efficiency of boiler plant, which declines more steeply when the ash percentage increases above 20 per cent. It has been estimated that during the last two decades the average ash content in Indian coal has increased from 14 to 20 per cent, which, it is said, represents a 9 per cent extra consumption or 3 million tons of more coal than what would be necessary for the consuming industries if the ash content had remained at 14 per cent. With more coal consumption for industrial expansion and an increasing ash content in future, these extra quantities needed would also increase.

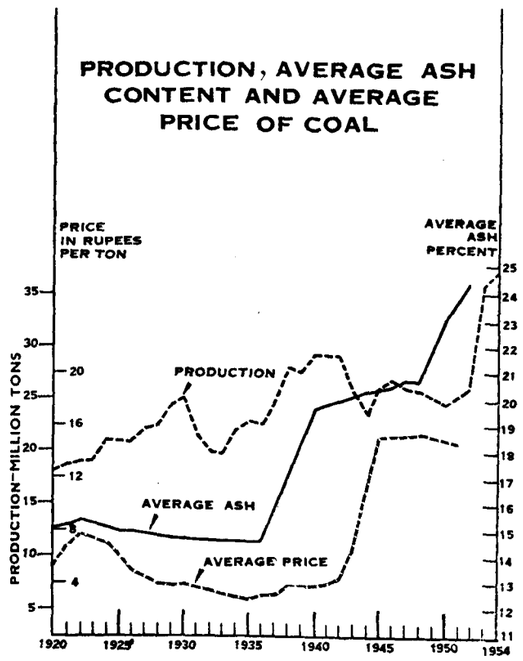
In terms of national cost and effort this means not only more expenditure on the new mining of the additional coal needed by the consumers but also more transport charges—which may often represent about 60 per cent of the cost of coal in remote areas. More wagons and locomotives—a very scarce commodity at the moment—will be needed for such transport. When we achieve the coal target of 60 million tons by 1961, the average ash content is also expected to increase to 22 per cent. It is believed that 10,000 wagons and the cost of 4 to 5 million tons of coal, including its transport charges, could be saved to the consumer if a reduction of only 5 per cent in the average ash content by washing coal is achieved. This would involve a capital outlay of about Rs. 8 to 10 crores on washeries which can process 40 million tons of coal. This is about just equal to the outlay on the additional wagons alone, needed for the extra 5 million tons that will be necessary if the coal is not washed.

This, prima facie, is a strong case for forging ahead with a scheme for washeries under the second Five-Year Plan as part of coal policy. There has been a timely investigation of this subject by the Coal Washeries Committee (appointed by the Coal Board) whose competent and exhaustive report deals with all aspects of this technical problem. The Committee is convinced that the additional cost of washing to the coal consumer is only a fraction of the price he is now paying for larger quantities of inferior coal and its transport over long distances. The saving to the consumer, the Committee says, will be about Rs. 3 per ton. To a consumer situated 200 miles or more from the source of coal supply, coal of 10 per cent ash is worth about Rs. 5 per ton more than coal with 20 per cent ash; and the latter is worth Rs. 8 per ton more than coal with 24 per cent ash. The cost of upgrading coal, on the other hand, by washing, may be only between Re. 1 to Rs. 2 per ton. There are also indirect gains to the consumer from washed coal due to consistency in quality and size and better plant performance and maintenance.

These merits are indisputable. At a time when the railways will face a severe problem of movement of coal, any step which saves about 10,000 wagons should be helpful. The beneficiation of low grade coal would assist the conservation of both superior and inferior coals. But there is a major snag in the fact that most of the collieries are now small-scale units, whereas the minimum economic unit of the multiple type of coal washing plant needed for Indian coals should have an output capacity of about 100,000 tons per month. Of 892 mines engaged in coal production only 6 have an output capacity above 30,000 tons per month. This technical difficulty makes it impossible to require or encourage a washery near every mine. A washery for a group of mines may be possible either when there is common ownership or in the less likely event of several companies co-operating. But the chances are not bright indeed for such initiative and except for limited experiments, the installation of washeries on a large scale by the private companies would be impracticable, to cover the entire Indian production.

So the Coal Washeries Committee has had to resort to a scheme which for the present looks too ambitious to be practicable. The suggestion is that Central Washeries of large tonnages should be established near existing railway marshalling yards or base loading stations. There are about ten such base-loading stations through which all the coal produced will thus have to pass and the feeding collieries are generally within 6 to 10 miles. It is believed that "middlings" (inferior coal) can be disposed of to existing thermal power stations and to those to be created under the new electrification schemes while the rejects in the washeries can be returned to the collieries for stowing.

The Committee realises that such washeries may have to co-ordinate their operations in such a way as to pool profits and losses over the washeries and have free control over zonal distribution and selling prices,



while subsidising the sale of "middlings". The Committee's scheme involves a Central Marketing Agency having a monopoly control. This inevitably involves that the Central Washeries should come under full State control, even if other coal interests take a share in its operations. In effect, it would involve nationalisation of coal operations at the final stage, with the State taking over the entire marketing operations, without involving nationalisation of coal mining and payment of compensation to the mining companies. But this is largely a matter of policy on which decisions cannot be taken at this stage without some large-scale preliminary experiment being made with coal washeries, and without further consideration of the technical aspects. The Coal Board has wisely refrained from accepting the far too radical recommendations of the Coal Washeries Committee based merely on the technical possibilities of washing. With encouragement to private washeries wherever feasible, if necessary with a subsidy it is possible to make a beginning in this direction.

The Price of Coal

THE price of coal has been the most stable among raw material prices in the Indian economy in post-war years because of the enforcement of a system of price control which has been quite effective. Outside the system of priorities applicable to the major consumers, there might have been occasionally a tendency to exploit temporary shortages due to lack of wagons but, by and large, the pit-mouth prices for coal have remained fixed since 1947:

Post-War Coal Prices (Per ton)

	Rs.	as.	ps.
1939	3	9	0
1946	12	0	0
1947	14	9	0
1948	15	0	0
1949	15	0	0
1950	14	7	0
1951	14	11	0
1952	14	12	0
1953	14	12	0

An increase of Rs. 3-1 per ton was granted in 1947 to coal companies after a scrutiny of their books after the Conciliation Board Award. In 1949, prices were cut as a measure for counteracting inflationary pressures, even though the industry was not relieved of the responsibility for food grain concessions. In the case of other industries during the period, there have been increases in the cost of production which entitled them to higher prices even under price control not only to meet the higher costs but also to provide for higher depreciation allowances as in the case of the iron and steel units. Some of the causes of higher costs were common to coal also and the Mines Act of 1952 imposed further burdens by higher overtime and bonus rates. It has been the coal companies' case that the average profit of Rs. 1-8 per ton, which was assumed when the price was increased in 1947, has rarely been realised. The companies have, however, remained in business only because of their other incomes from trading profits—such as through exports of coal and royalty receipts.

It should be no surprise if with such low returns and the uncertainties about the future, the coal companies have not been able to maintain their mines and equipment in good condition. The companies have realised that price control has on the whole been to their advantage because the welfare measures for coal workers have imposed a permanent burden for which a stable minimum price is necessary. The difficulty arises only in regarding that price also as the maximum over a long period.

The question of price is relevant at a time when a 60 per cent increase in output is being planned and a substantial part of it has to come from the private sector. Where the additional output can be achieved by more intensive working of existing mines the existing price may not act as a serious deterrent but obviously much new investment will be necessary in both the sectors to raise the extra output. If the estimate of new investment of Rs. 40 per ton of additional output in new mining is accepted, the present price would not in any case leave more than 3 per cent as profit—which would hardly be adequate in itself, even if there were no other engineering and political risks involved in the investment.

In relation to the existing wage structure, a higher price which leaves a sufficient margin of return is necessary before expansion or replacement can be expected. It is known that all this is not a special pleading by the coal industry because the State collieries which enjoy many additional facilities are not showing much better results. The old policy of inaction on the question of price, which suited the Ministry of Production hitherto, cannot deliver the goods in future when new investment of over Rs. 25 or Rs. 30 crores is expected in the private sector. The only hope in this situation is that ultimately when the public sector with its expensive ways of doing business provides the greater share of the production the case for increasing the price would be accepted but that may be a long way off.

On the consumer's side, there is a case for rationalising the price of coal, by making adjustments for variation in quality. Since transport charges often equal or exceed the price of coal at pit-head, there has always been a premium on the best quality coal so that total fuel cost can be kept low. The higher the ash content and dirt, the larger will be the quantities needed and the transport charges on these extra quantities. A revision on the basis of the calorific value of coals would relieve part of the burden on consumers in outlying areas. A zonal price scheme has been suggested, for example, by the Coal Washeries Committee; but the amount of control and regulation of supplies needed for the purpose may remain difficult for a considerable time in the future.

The Fuel Research Institute has suggested a rationalisation of the price structure on the basis of 1.5 times the ash penalty and the following represents the price scale as calculated according to the Institute's formula, which illustrates the difference:

Grades of Coal	Present Price (Rs. per ton)	Revised Price (Rs. per ton)
Selected A	15.19	15.60
Selected B	14.19	14.95
Grade I	13.31	14.11
Grade II	12.94	13.00
Grade III-A	11.75	11.70
Grade III-B	10.56	9.75

Where the consumer can get qualities which are definite for their heat units and give consistent results, there would be less objection to pay additional prices for the raw material, though with every increase of a rupee per ton of coal the total burden, at present output rates, will be over Rs. 3 crores.

Notes on Coal

INDIA'S COAL RESERVES

DR. C. S. FOX has made estimates, on a rough and ready basis, of India's coal reserves, which have by and large been accepted by subsequent authorities as the basis for the reserves of good quality coals, though revised (downwards) in some aspects. The following are his estimates:

Quality	Reserves (In million tons)	Max. working Depth	Max. seam thickness
All qualities	60,000	1000 ft.	1 ft.
Ash up to 25 per cent (Dry)	20,000	2000 ft.	4 ft
Ash up to 16 per cent (Dry)	5,000	2000 ft.	4 ft.
(Of which	3,500	1000 ft.	4 ft.)

The major seams constituting this 5,000 million tons of high grade coal are Raniganj (1,800), Jharia (1,250), Bokaro (800), Karanpura (750). The Indian Coal Mining Committee revised this downwards because of the large losses incurred before 1932 from avoidable waste, collapses and fires.

The total reserves of high grade coking coals in working and virgin areas were estimated by the Committee on Conservation of Metallurgical Coals (1950) to be about 1,300 million tons, of which three-fourths lie among the working collieries of Jharria and Raniganj and the rest in the virgin areas of Jharria. If the extraction rate is assumed to be 60 per cent, the available reserves of coking coal would only be 780 million tons.

The estimated reserves of high grade 'non-coking' coals—amounting to 3,150 million tons—must be reduced for the coal that cannot be exploited because of surface conditions and for the coal seams below a working depth of 1,000 feet the cost of which may be too high. The balance of high grade coal reserves would then amount to about 2,000 million tons, on which, as before, a 60 per cent rate of extraction may be assumed. The proved reserves in working mines are about 600 million tons of high grade non-coking coal; the rest has to be found in virgin areas, on which new capital investment will have to be made, unless some of the inferior coal now available in existing mines is used after washing. The choice between new investment in virgin fields and capital outlay on coal cleaning operations is not always clear-cut. A nice balance between the two will be necessary but at a time when very little attention has been devoted to washing operations some strong emphasis such as that of the Coal Washeries Committee is not out of perspective, even if it tends to be exaggerated.

MINERAL RIGHTS AND LEGISLATION ON COAL

PROPERTY RIGHTS in minerals in Part A States vest in the State Governments concerned under Article 294 of the Constitution but this would exclude the lands belonging to Zamindars, in which the latter have the rights. The Zamindar's rights are being extinguished under separate State legislation. In Part B States, the property in minerals belongs to the Governments concerned who have become successors within the meaning of Article 295. Item 54 in the Union List of Legislative Powers gives the Union the power to regulate mines and mineral development to the extent to which Parliament declares it to be expedient. Item 55 provides for Union regulation of labour and safety in mines and oil fields. Subject to these provisions, item 23 of the State list gives powers to States for regulation and development of mines and minerals.

At the present time the exercise of the regulatory powers of the Union under item 54 of List I is governed by the Mines and Minerals (Regulation and Development) Act 1948 and the Mineral Concession Rules, 1949 framed under S. 5 of this Act. The Mines Act of 1952 regulates labour and safety conditions referred to in item 55 of List I of the Seventh Schedule of the Constitution.

The production and distribution of coal has all along been governed by the Colliery Control Order originally issued by the Defence of India Rules during the war and continued under the Essential Supplies (Temporary Powers) Act 1946 which gave complete authority to the Central Government to regulate coal. In 1952, the Government of India enacted the Coal Mines (Conservation and Safety) Act, 1952, which repealed an earlier Act of 1939 and enables the issue of directives to mines regarding stowing for safety and conservation and for washing of coal and also established a Coal Board. The Act enables the Central Government to collect a cess not exceeding Re. 1|- per ton on all coal raised and credit it to the Coal Mines Safety and Conservation Fund.

USES OF LIGNITE

THE LIGNITE project in Neiveli (South Arcot in Madras State) has captured the imagination of the people of the South where industrial development has so long been affected by the lack of coal. The pilot project for quarrying lignite has been practically completed but great difficulties are being encountered because of the existence of ground water under pressure. Lignite seams vary from 28' to 65'. The cost of lignite extraction will, however, be determined by the extent of pumping out of water required; these tests are expected to be completed by next February.

The total lignite output when these obstacles are removed may be about three million tons a year. This output will not diminish the present coal requirements of the South from North Indian collieries. It is proposed to have a combination project which will mine the lignite on the one hand and make direct use of it for certain purposes. It is proposed to produce 211,000 K.W. of power, to supply a fertiliser plant producing 200,000 tons of ammonium sulphate a year and a briquetting plant to make 714,000 tons of lignite briquettes for domestic consumption as fuel. The cost of the combination project is likely to amount to over Rs. 58 crores. The fertiliser output may even be stepped up, especially because of some new processes which enable the maximum utilisation of low grade coals and lignite without leaving any waste. It is unlikely that lignite would be used for any metallurgical purposes.

HOW A PROSPECTIVE MINER CAN QUALIFY

A CERTIFICATE of approval is an essential pre-requisite for the grant of any mineral concessions. It may be issued to any person, firm or company (registered in India) in respect of all or some specified minerals. The fee for a certificate is Rs. 100 and for every renewal of it Rs. 50. Then the holder has to obtain a Prospecting Licence, valid for two years (one year in the case of mica alone) with an application fee of Rs. 50 for the first square mile and Rs. 10 for each additional square mile. The licence is renewable one year at a time, but not exceeding four years in all. Then a Mining lease has to be taken, in payment of a fee of Rs. 200 besides deposits for preliminary expenses and as security for observance of the lease terms.

In the case of coal, the length of the leased area should not exceed twice the breadth and the area leased or subleased should not be less than 100 acres. The period of a lease is 30 year in the case of coal, iron-ore and bauxite (and 20 years in other cases) and except

for the latter two, it is renewable only once for a similar period.

The royalty rate on coal (renewable in 1955 and every 10 years thereafter) is 5 per cent of the statutory price f.o.r. (subject to a minimum of Rs. 0-8-0) per ton. The dead rent for coal is between Re. 1 and Rs. 5 per acre. The surface rent is prescribed by State Governments.

The Central Government has power of review of the orders of a State Government in the matter of grants of licences etc.

ZONAL SELF-SUFFICIENCY IN COAL PRODUCTION

THE WORKING Party for the Coal Industry (1951) and the Railway Fuel Enquiry Committee (1952) suggested rationalisation in the zonal production and distribution of coal. The production target for the fields outside Bengal and Bihar was estimated by the Railway Fuel Committee at 11.1 million tons in 1961 as against the total production at approximately 5.5 million tons—that is doubling in less than 9 years. This was considered difficult to achieve even if virgin areas like the Korba Coalfield were developed but there was nothing impossible about the target if there was more transport and private investment was encouraged to invest. A second difficulty about the proposal was the inferior nature of these coals both as regards high moisture and ash as well as lower inherent calorific value of the coal substance. Though transport costs will be lower on these regional coals, consumers are not likely to be attracted to these varieties, especially where existing plants are installed on the basis of high calorific coals. So beneficiation of these inferior coals will be necessary.

COAL WASHING IN INDIA AND ABROAD

SINCE THE nationalisation of the coal industry in the U.K., coal washing had made progress with an estimated investment of £18 million in 4 years (1947-1951) on a washing capacity of 42.5 million tons of coal per annum. This is in addition to the capacity which existed already; even in 1925, about 70 million tons of coal were washed. The price of washed coal in the U.K. is 2sh-8d more than unwashed coal.

In the United States, about half the total output of bituminous coal (of about 600 million tons) and the entire anthracite coal output of 50 million tons are washed annually. Washed coals are reported to be about 1.2 dollars more expensive than the unwashed material. In Germany, about three-fourths of the total coal was washed even as early as 1913, mainly because of the importance of washing for coke manufacture; at the present time about all the coal is being washed. In Belgium, 85 per cent of the coal was being washed even in 1925; in that year France was only washing about 49 per cent of her coal, but today about 90 per cent is being washed. Holland has always been very much ahead in the field of fuel preparation and utilisation and almost all the coal is now mechanically cleaned. The percentages of washed coal to total for other countries in 1925 were Japan 31, U.S.S.R. 25.5, Poland 13.4, Czechoslovakia 61, and Spain 40.

In India there has been very meagre progress in this respect because in the early stages higher grade coals were available for the iron and steel industry. Also, Indian coals were regarded as difficult to clean and this discouraged early attempts. It is now accepted that Indian coal though not amenable to cleaning by simple methods could be washed to yield reasonably clean coal. Tatas placed orders for two plants of the heavy medium type in 1946. The first came into operation at West Bokaro in April 1951, and the other at Jamadoba in September 1952; the former has a capacity of 135 tons per hour and the latter of 300 tons per hour. These plants are handling only 25 to 30 per cent of their rated average capacity for raw coal and so cost of washing, including capital charges, is stated to be from 12 annas to one rupee per ton but if there is working at full capacity this cost is capable of being halved

THE BOKARO-KARGALI WASHERY

THE EAST Bokaro-Kargali Washery which the Government has now sanctioned with a capacity of 550 tons per hour was considered by the Coal Washeries Committee as "one of the most practical and immediate propositions". The coals of East Bokaro are all of coking quality but cannot be used for metallurgical purposes due to high ash. The main seams mined are the Kargali, Bermo and the Karo. The first is above Grade II and the other two just of Grade II quality; the total capacity in these mines is 10,000 tons per day and the seams have nearly the same ash. The Committee thought that including the D.V.C. quarry, two washeries of 400 tons per hour can be operated for 16 hours per day and the Bokaro thermal plant could take the middlings from the washeries and that the clean coal can be sent to the railways for the present and later diverted to the new steel plant. The majority of the mines are also State-owned or semi-State-owned so that no marketing or other difficulties would arise. Thus a combination of favourable circumstances encouraged the Committee to urge the highest priority being given to this washery—which if considered should be set up jointly by the State collieries and the D.V.C. authorities. The Kargali coal being one of the best metallurgical type, washing of this coal for the new iron and steel project was considered imperative.

The capital cost of the project will not be known until the tenders called for are received but a reasonable estimate of the outlay required was made by the Committee as follows:

Tons per hour	Range of capital cost (Rs. lakhs)	Average capital cost per ton (Rs.)
50	7 to 15	22,000
100	10 to 18	14,000
200	20 to 25	11,300
300	30 to 35	10,800
400	36 to 47	10,400
500	41 to 60	10,000

PROVIDENT FUND SCHEME FOR COAL MINES EMPLOYEES

THE COAL Mines Provident Fund Scheme in force in the collieries situated in West Bengal, Bihar, Orissa, Madhya Pradesh, Vindhya Pradesh and Assam is being extended to other areas. Broadly, under the scheme, the employee and the employer each contributes to the Fund compulsorily about 1|16 of the employee's basic wage, but in practice the States prescribe the rate in their respective areas. To meet the administrative expenses of the scheme, the employee is required to pay an additional amount of 5 per cent of the contributions of the employer and employee combined. The Government has allowed the employers a corresponding increase in the price of coal to the extent of the extra burden of their share of the contribution.

Some of the more important decisions taken, and submitted to the Government for approval, during 1953-54, involving basic changes in the scheme are (i) the employees will get employers' contribution to the extent of 50, 60, 75 and 100 per cent after 5, 10, 15 and 20 years of membership, respectively. (A worker is eligible for membership of the scheme from the quarter of the year when he qualifies for bonus under the Coal Mines Bonus Scheme. If he participates in an illegal strike, he forfeits the amount of bonus due to him for that quarter.) (ii) In genuine retrenchments, the period of waiting for receiving the employer's contribution should be reduced from one year to six months. (iii) The contribution should be based on the employee's total emoluments and the value of food concessions, instead of on the basic wage only, as at present.

The scheme was given retrospective effect. The initial contribution of the employers and employees of 723 collieries out of 775 expected to contribute initially in the four States of Bihar, West Bengal, Madhya Pradesh and Orissa, at the end of March 1954, was Rs. 56,64,578 for the period from the date of commencement to the end of September 1948.

At the end of the year 1953-54, a total sum of Rs. 3,71,05,779 was invested in Government securities having a free value of Rs. 4,08,71,800. For the year 1954-55, the Government has allowed interest at 3 per cent per annum on the accumulations in the Fund.

Shorter Notes

State Collieries Rehearsal in Digging

THERE are now 11 State collieries, which are administered departmentally. The annual production in these is now about 3 million tons. In recent years new collieries have not been opened up by the State. It is from this inexperience that the public sector hopes to dig for another 15 million tons in the next five years. The rehearsal for this programme is now going on in the Korba Coalfields in Madhya Pradesh which may contribute 3 to 4 million tons or about one-fifth of this target. Contrary to popular notions, the 11 State collieries are, it appears, working at a profit, though it seems to be declining one. The profit was Rs. 61.27 lakhs in 1952-53, Rs. 44.50 lakhs in 1953-54 (most of which had to be written off) and Rs. 33.36 lakhs in 1954-55. The contract system of coal raising has been completely abolished in the State collieries.

Synthetic Oil From Coal

ONE of the many attractive schemes before the country since Independence has been the plan to extract synthetic oil from low grade non-coking coal. It has not secured priority in the first Five-Year Plan though it was very much in the air in 1948 and 1949. Synthetic techniques in this field have improved and a Committee was set up in May 1954 to advise the Government. On the report of the Committee, Government has agreed to the setting up of a plant and project reports have been called for from three firms of international repute about the investment and costs of production. These are expected to be discussed later in the year and the degree of priority to be secured by this project will naturally depend upon the outlay and the risks involved.

Collieries—Size Groups

ABOUT 35 per cent of the total coal output is being produced in collieries producing between 10,000 and 25,000 tons. This percentage increased to 40 in 1940 and fell to 30 in 1949 which are the outer limits of the variation in the contribution of this group since 1928. Collieries in each of the other groups contribute between 10 and 15 per cent of the output and there have been no substantial variations in their percentage contribution.

Assistance for Stowing

UNDER the system of granting assistance to collieries for "stowing" for safety and for conservation, a subsidy of 75 per cent of the actual cost of stowing subject to a maximum of Rs. 1-5 per ton of material stowed by hydraulic stowing and 85 per cent of the actual cost subject to a maximum of Rs. 1-9 per ton of material for handpacking with surface materials is given by Government. The Coal Board has been given considerable discretion. The total cost of such assistance in 1953-54 was Rs. 62.73 lakhs; protective works carried out by the Coal Board cost Rs. 2.9 lakhs.

Colour and the Coal-Miner

CAN a coal miner become colour conscious? It is incredible that he should, after working all day in the darkest of colours which turns natural complexions, however white, into a uniform blackness. Yet the London "Economit" comes to the melancholy conclusion that the real reason for the British miner's objection to the import of Italian mining labour where it is most needed is racial prejudice. "It is significant" says the journal "that the miners do not object so much to Austrians who are more Nordic types than Italians and physically not unlike themselves....." "A sense of national apartheid in Yorkshire is an evil in itself quite apart from the harm that it seems likely to do to the economy of the country". Britain is now planning to import 12 million tons of American coal this year and to cut her own exports to Europe.

Mechanical Mining

MECHANICAL cutting of coal is responsible for the production of only 8 million tons of the total output. Manual mining can avoid some of the dirt which is included in mechanical mining and also reduce the size of coal picked. A progressive increase in productivity may be sought by the increasing use of mechanical methods, especially if labour difficulties in the mines increase. The number of coal cutting machines increased from 308 in 1948 to 485 in 1953 and the coal cut by such machines has doubled during the same period. The horsepower of electrical plant and the number of mines using electrical energy has increased by 50 per cent during this period. In 1953, there were 62 conveyors with a total length of 24,090 feet.

PRODUCTION OF COAL IN INDIA BY IMPORTANT REGIONS, 1939-53

Year	1939		1947		1948		1949		1950		1951		1952		1953	
	Tons ('000)	%	Tons ('000)	%	Tons ('000)	%	Tons ('000)	%	Tons ('000)	%	Tons ('000)	%	Tons ('000)	%	Tons ('000)	%
Assam	298	1.1	344	1.1	358	1.2	386	1.2	402	1.2	466	1.4	494	1.4	484	1.4
West Bengal	7,591	27.6	7,647	25.4	8,131	27.0	8,804	27.8	8,971	27.8	9,646	28.0	10,297	28.4	10,220	28.5
Bihar	14,738	53.7	17,318	57.5	16,345	54.3	17,342	54.7	17,492	54.1	18,588	54.0	19,232	53.2	18,947	52.9
Orissa	499	1.8	432	1.4	423	1.4	399	1.3	376	1.2	482	1.4	458	1.3	481	1.3
Madhya Pradesh	2,794	10.1	2,590	8.6	3,005	10.0	2,944	9.3	3,040	9.4	3,202	9.3	3,427	9.4	3,479	9.7
Hyderabad	1,215	4.4	1,163	3.9	1,070	3.6	1,092	3.8	1,214	3.7	1,269	4.0	1,435	3.7	1,333	—
Rajasthan (Bikaner)	39	0.1	62	0.2	72	0.2	67	0.2	20	—	34	0.1	47	0.1	33	0.1
Vindhya Pradesh (Rewa)	327	1.2	568	1.9	720	2.3	661	2.1	792	2.5	744	2.1	792	2.2	871	2.4
TOTAL	27,551	100.0	30,124	100.0	30,124	100.0	31,695	100.0	32,,307	100.0	34,431	100.0	36,182	100.0	35,848	100.0

COAL: PRODUCTION AND DISTRIBUTION

Monthly averages or calendar months

	Raisings	Despatches	Despatches by Rail										
			Indian bunkers & exports	Railways	Electric supply Cos.	Iron & steel works	Cement factories	Cotton mills	Jute mills	Engineering works	Paper mills	Chemical industries	Brick burning
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1948 ..	2,485	2,155	146	796	160	239	56	156	53	19	33	12	57
1949 ..	2,621	2,339	127	841	174	278	63	150	48	23	36	13	102
1950 ..	2,666	2,401	140	825	187	302	77	139	48	30	37	16	143
1951 ..	2,859	2,426	213	865	195	320	100	134	41	28	40	14	112
1952 ..	3,019	2,566	221	940	214	300	100	144	45	29	44	16	96
1953 ..	2,987	2,588	148	956	232	290	121	146	43	29	44	19	134
1954 ..	3,064	2,662	146	941	223	314	121	147	40	22	44	21	152
1954 January ..	2,903	2,424	132	911	214	310	126	158	42	21	32	22	23
February ..	3,056	2,244	120	827	168	304	96	124	39	18	31	19	68
March ..	3,071	2,594	131	927	204	300	115	145	29	16	38	18	181
April ..	3,037	2,599	137	963	191	309	116	150	30	21	46	15	199
May ..	2,977	2,621	148	948	237	297	111	150	43	20	45	17	196
June ..	2,885	2,576	181	902	222	302	116	148	29	17	44	17	117
July ..	2,966	2,810	171	985	247	331	129	162	47	22	46	23	144
August ..	2,958	2,926	163	1,050	254	336	133	150	46	24	57	25	179
September ..	3,171	2,888	136	997	248	324	143	147	49	28	37	26	138
October ..	2,921	2,787	140	944	238	306	132	134	44	26	56	24	233
November ..	3,323	2,728	116	941	227	321	119	144	43	28	54	22	150
December ..	3,503	2,747	174	896	230	328	120	149	38	28	48	19	196
1955 January ..	3,153	2,672	80	967	226	329	129	137	37	27	49	24	118
February ..	3,249	2,702	86	900	214	301	115	143	35	24	39	18	92
March ..	3,304	2,764	63	1,002	231	329	120	137	38	28	49	20	168

AVERAGE VALUE (PER TON) OF COAL RAISED FROM MINES IN INDIA, 1944—1953

Year	Assam	West Bengal	Bihar	Orissa	Madhya Pradesh	Rajasthan (Bikaner)	Vindhya Pradesh (Rewa)	Hyderabad	AVERAGE INDIA
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1944	18 3 0	11 5 0	10 0 0	9 5 0	9 7 0	9 6 0	9 13 0	10 12 0	10 7 0
1945	20 9 0	12 1 0	10 7 0	10 2 0	10 7 0	9 6 0	9 6 0	13 10 0	11 4 0
1946	20 13 0	12 2 0	11 10 0	10 13 0	10 1 0	9 11 0	10 13 0	14 9 0	12 0 0
1947	20 15 0	13 15 0	14 13 0	12 5 0	12 15 0	9 9 0	9 11 0	18 6 0	14 9 0
1948	21 15 0	15 2 0	14 8 0	14 13 0	14 13 0	10 7 0	15 7 0	20 5 0	15 0 0
1949	24 3 0	15 4 0	14 4 0	15 2 0	12 12 0	11 10 0	13 15 0	23 0 0	15 0 0
1950	24 11 0	14 7 0	13 11 0	14 11 0	14 14 0	15 0 0	13 9 0	21 12 0	14 7 0
1951	24 13 0	14 12 0	13 13 0	14 14 0	14 8 0	11 0 0	13 9 0	21 4 0	14 11 0
1952	24 2 0	14 15 0	14 0 0	14 13 0	15 0 0	11 1 0	13 3 0	21 5 0	14 12 0
1953	24 7 0	14 14 0	13 14 0	14 15 0	14 13 0	11 2 0	13 13 0	21 6 0	14 11 0

OUTPUT OF COAL PER MANSHIFT (IN METRIC TONS)

Name of Country	Coal Face Workers			Overall.		
	1951	1952	1953	1951	1952	1953
1. United Kingdom ..	1.63	1.61	1.63	1.23	1.21	1.24
2. Belgium ..	1.05	1.05	1.07	0.74	..	0 77
3. Netherlands ..	1.73	1.61	1.57	1.09	1.02	0.99
4. France ..	1.30	1.35	1.42	0.84	0.89	0.93
5. Sarre ..	1.62	1.62	1.69	1.04	1.04	1.08
6. Western Germany ..	1.46	1.48	1.46	1.10	1.11	1.10
7. America (United States) ..	..	..	..	6.39	6.78	..
8. India ..	1.04	1.05	1 07	0.35	0.37	

COAL STATISTICS

TRENDS IN EMPLOYMENT AND ABSENTEEISM

Period	No. of working mines	Average Daily No. of Persons Employed				Total No. of man-shifts worked	Percentage of absenteeism
		Underground	Open workings	Surface	Total		
1951*	831	177,517	30,155	131,539	339,211	8,304,471	13.31
1952*	821	183,353	29,148	129,237	341,738	8,384,344	13.12
1953*	829	181,973	28,866	126,957	337,796	8,335,582	13.46
1954*	837	181,280	28,458	122,582	332,320	8,333,348	13.30
March	848	178,795	28,104	119,682	326,581	8,351,215	13.96
April	845	180,969	28,624	120,446	330,039	8,274,471	13.16
May	848	176,104	27,953	120,005	324,062	8,190,087	13.46
June	846	172,282	27,316	120,692	320,290	8,077,650	13.36
July	839	171,791	26,021	120,310	318,122	8,314,381	13.26
August	830	174,758	26,009	122,526	323,293	8,172,616	13.13
September	829	188,232	26,966	122,532	337,730	8,527,048	12.98
October	824	176,380	28,153	124,856	329,389	7,965,416	15.44
November	826	187,979	29,984	124,085	342,048	8,646,403	12.51
December	830	192,982	31,688	124,601	349,271	9,127,920	12.38
1955 January	831	191,200	32,999	125,878	350,077	8,541,577	14.26
February	839	203,026	35,099	129,130	367,255	8,545,141	12.85
March	841	193,014	31,794	126,253	351,061	8,801,435	14.78

*Annual figures are averages of monthly figures.

DESPATCHES OF COAL AND COKE BY RAIL TO VARIOUS CONSUMERS DURING THE YEAR 1953

Consumer.	Tons of coal and coke despatched	Percentage of total quantity despatched
Indian Bunker	377,757	1.2
Miscellaneous Industries through Coastal Shipping	54,565	0.2
Export	1,351,124	4.2
Export (Pakistan)	764,515	2.4
Railways	11,615,557	35.9
Indian Steamer Services ..	276,101	0.9
Port Trust Railways	116,843	0.3
Municipalities and Water Works ..	132,812	0.4
Electric Supply Companies ..	2,818,276	8.7
Gas Companies	149,046	0.5
Tramways	520	..
Iron and Steel Works ..	3,471,452	10.7
Potteries	92,236	0.3
Refractories	179,145	0.6
Copper Corporation	49,932	0.1
Ordnance Factories	135,647	0.4
Defence Services	51,042	0.2
Opium	3,164	..
Cement Factories	1,440,841	4.5
Woollen Mills	40,225	0.1
Cotton Mills	1,719,250	5.3
Paper Mills	528,733	1.6
Silk Filatures	38,170	0.1
Ginning and Pressing Factories ..	108,184	0.3
Jute Mills	501,443	1.5
Engineering Works	353,725	1.1
Rubber Works ..	50,407	0 2
Tobacco Curing	119,355	0.4

Consumer	Tons of coal and coke despatched	Percentage of total quantity despatched
Tobacco Manufacturing ..	26,705	0.1
Lime and Stone Works ..	157,642	0.5
Enamel Works	12,344	0.1
Mica Concerns	4,948	
Match Factories	2,951	
Food Products .. .	136,384	0.4
Leather Works	10,094	..
Glass Works	235,235	0.7
Vanaspati Factories	290,162	0.9
Other Oil Mills	10,504	
Chemical Industries	226,945	0.7
Soap Works	10,142	..
Distilleries	76,226	0.2
Sugar Mills	108,123	0.3
Re-rolling Mills	54,036	0.2
Tea Gardens	195,484	0.6
Miscellaneous Concerns and Casual Sanction	454,313	1.4
Ice Factories	24,197	0.1
Assam Oil Company ..	2,755	..
Provincial	1,651,488	5.1
Hospitals	4,044	
Dairies	3,000	
Jails	7,983	
Educational Institutions ..	8,885	0.2
Starch Factories	8,511	
Petty Steamer Services ..	18,773	
Coke Ovens	377,258	1.2
Brick Burning	1,697,489	5.2
Miscellaneous Mills in Assam ..	12,225	..
TOTAL ..	32368913**	100.0

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COAL STATISTICS

WAGES, HOURS OF WORK AND PRODUCTIVITY.

Trends in wages, hours of work and productivity.*

Period	AVERAGE WEEKLY EARNINGS					Average weekly hours†	OUTPUT PER MAN-SHIFT		
	Total cash earnings	Basic wages	Dearness allowance	Other cash-payments	Cash value of concessions in kind		Miners and loaders	All persons underground and open-workings	Overall
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.				
1951	10 14 5	Not compiled				46.63	1.03	0.56	0.34
1952	11 4 6	do				47.86	1.04	0.56	0.35
1953	11 12 11	4 7 8	5 13 6	1 7 9	1 13 11	46.99	1.05	0.57	0.35
1954	12 2 2	4 10 2	6 0 4	1 7 6	1 5 7	46.98	1.08	0.58	0.36
March	12 3 7	4 10 4	6 0 9	1 8 5	1 8 3	47.05	1.08	0.58	0.37
April	12 6 4	4 12 0	6 2 8	1 7 7	1 6 4	47.22	1.09	0.58	0.36
May	12 2 3	4 10 0	6 0 7	1 7 7	1 5 5	47.30	1.09	0.58	0.36
June	12 4 1	4 10 9	6 0 8	1 8 6	1 6 10	46.85	1.09	0.57	0.36
July	12 0 7	4 10 0	5 15 6	1 6 11	1 5 0	47.12	1.11	0.57	0.36
August ..	12 4 0	4 11 3	6 1 4	1 7 4	1 5 0	47.06	1.11	0.61	0 36
September ..	12 0 3	4 10 3	6 0 0	1 5 11	1 4 7	47.36	1.07	0.58	0.37
October ..	11 14 0	4 8 7	5 14 2	1 7 3	1 3 0	46.53	1.10	0.59	0.37
November ..	12 4 5	4 10 8	6 1 7	1 8 1	1 2 6	46.70	1.11	0.60	0.38
December ..	12 2 6	4 10 3	6 0 6	1 7 8	1 2 1	45.92	1.09	0.60	0.38
1955 January ..	12 5 6	4 12 4	6 1 3	1 7 10	1 0 2	47.05	1.07	0.57	0.37
February ..	12 1 11	4 9 11	6 15 8	1 8 4	0 15 11	47.33	1.06	0.59	0.38
March ..	12 3 6	4 11 4	6 0 4	1 7 10	0 15 3	46.61	1.08	0.59	0.38

*The annual figures are averages of monthly figures.

†Averages worked out with constant 1951 employment weights on the basis of the figures published in respect of the various major coalfields.

Average weekly cash earnings of workers*

	Assam	Raniganj	Jharia	Madhya Pradesh	Vindhya Pradesh	Orissa	Hyderabad	Rajasthan	INDIAN UNION
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
UNDERGROUND—									
Miners and loaders	17 10 8	13 4 1	13 12 10	11 14 4	11 7 3	11 6 10	15 2 0	13 10 6	13 7 2
Others	15 11 7	12 12 11	13 0 2	10 5 11	10 4 9	12 11 8	13 11 9	9 10 1	12 9 2
OPEN-WORKINGS—									
Miners and loaders	15 8 11	13 7 9	12 2 7	11 12 3	5 14 5	—	—	—	12 11 10
Others	14 9 8	11 2 6	9 8 7	11 9 0	6 5 8	—	—	—	10 11 1
Women	13 3 8	11 2 11	8 9 6	8 11 9	5 7 3	—	—	—	9 1 7
SURFACE—									
Men	15 0 7	12 14 7	12 9 8	11 4 2	11 2 1	14 7 0	14 11 0	9 15 5	12 9 2
Women	8 7 11	7 11 11	8 0 1	5 8 10	5 11 1	8 6 8	8 8 9	4 6 0	7 11 3
OVERALL ..	15 15 7	12 4 4	12 4 9	10 10 3	10 7 0	12 11 9	14 1 5	10 6 0	12 3 6

*Obtained by dividing the total cash earnings for the week by the average daily employment during the week.

Source: Monthly Coal Bulletin

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Road Transport in India

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The Road Transport Corporations Act, 1950; Transport and Industry.
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"Our picture of the future of rural India is one in which motor transport will penetrate to the remotest villages connecting them with the main transport system, and will play a gradually increasing part in marketing between village and market town and in distribution between town and villages. Thus the villager will have at his disposal modern means of transport, readier communication with the outside world, medical attention and other social services to no less a proportionate degree than the town dweller. To attain this result, active development of roads and constructive development of road transport are necessary."

The Place of Road Transport

THE inspiring statement of the objectives of a road transport policy for India, which is reproduced above from the report of the Technical Sub-Committee of the Subjects Committee on Transport made seven years ago, shows the very large scope which exists for road transport in the future development of the country. Hitherto the Railways have secured all the attention and even in the future, their dominant position will not be affected because they will always form the backbone of the transport system of the country. But 34,500 miles of railway track have already proved inadequate. There are many areas waiting to be developed by the provision of organised transport. A further addition of 40,000 miles of railways has been recognised as necessary even on the basis of existing demands. But even the modest provision of 3,000 miles of new track under the second Five-Year Plan is likely to prove difficult; and at this rate, the doubling of the total length of railways may well take a quarter of a century. Until then, these routes now recognised to be potential sources of railway traffic will have to be served by alternative transport; and there will still remain other areas which for long will depend only on road services for their communications, which will act as feeder services.

On the other hand, traditional forms of transport are still making a vital contribution to the movement of goods and men. So long as India's small-scale agriculture depends on cattle power and there is a considerable slack period for those engaged in it, there will be advantage in moving the products of the villages to markets in bullock carts and in using them to bring back goods required for consumption in the villages. There are positive advantages for this system. It saves packing difficulties; and movement will not be seriously hampered by lack of roads or bad roads. Plying bullock carts for transport purposes is still an important source of off-season employment in rural areas. Thus the traditional transport system is playing an unobtrusive but essential part in transporting men and materials to markets, fairs and festivals.

However, the old ways cannot long persist in the face of the demand for a quicker and modern system of transport. The pace at which this demand will increase will depend on the growth of incomes and employment but there is every reason to hope that the pace will be accelerated in the next few years. So far, the development of road transport has not been in keeping with the expansion of the economy. There was a spurt in motor spirit consumption in 1951-52 over the previous year but since then the position has been more or less stable, when most other countries have shown substantial increases in these years on an average of about 10 per

cent a year. The rate of increase in motor vehicles has been modest. Though statistics show that private cars had increased by about 18 per cent in the five years ending 1952-53, the number of taxis by 25 per cent, buses by 44 per cent and goods vehicles by 23 per cent, much of the increase was due to better recording of figures, especially in the States. The fairly stationary level of consumption of motor spirit probably indicates that there is much underutilisation of the few vehicles added in these years. It confirms a recent estimate that there may be as much as 40 per cent unused capacity among the goods vehicles today. At a time when there has been serious strain on the rail transport system the existence of this unutilised capacity and the slow rate of expansion of fleet are matters which should deserve close study.

The additional purchasing power expected to be generated under the second Five-Year Plan will make heavy demands both on passenger and goods transport by increasing travel on the one hand and by increasing demands for consumer goods which have to be moved to the areas in which the demand arises. The Railways at the same time are not expected to have the spare capacity to meet the new demands entirely. The scope for providing for new passenger traffic will be limited and goods traffic will have to concentrate on the needs of the major and heavy industries. In this context, road transport has a large part to play. A minimum estimate of the additional fleet needed for goods transport by road is one lakh vehicles and even this may involve new investment of the order of Rs. 200 crores, a very ambitious, if not impossible target. Such an addition would help the movement of more than a third of the volume of traffic carried by the railways if the additional fleet is very economically utilised. Assuming that the number of goods vehicles now in use is 90,000, it would mean a doubling of the existing capacity, though some part of the addition will go towards replacement of old vehicles.

A recent study by the Transport Planning Study Group indicated that "a more realistic objective" would be (1) to enable replacement of overaged trucks, (2) to obtain full employment for the existing trucks, (3) to provide sufficient road transport capacity to carry the small traffic which the Railways are not now able to carry; and (4) the provision of additional road transport in rural areas. In the light of the motor vehicle manufacturing programme, it was suggested that an immediate addition to the road transport fleet for goods by 10,000 to 12,000 vehicles per year, apart from replacement, would be realistic. A fleet strength of 160,000 trucks by the end of the second Five-Year period was considered a realistic target to aim at. This excludes the needs of passenger bus transport, for which no firm estimates are possible.

The problem in this case is not solved by fixing a target, even though it be a modest one. In the case of passenger services, some States have grown so keen on converting them into public enterprises that the achievement of the targets will not be subject to much uncertainty if they carry out their plans. But in the field of goods transport, no State except Bombay has acquired the boldness to expand the public sector. The pace of expansion must be determined, therefore, by the readiness of the private sector to take measures which will lead to that end. The essential policies which will achieve it are three-fold; they relate respectively to the fields of taxation, nationalisation policy and road transport licensing. To these we have now to turn, because they together constitute the hard core of incentives to promote the ends desired.

The Incidence of Taxation

IT has not been disputed that heavy taxation has been one among the major impediments to the development of road transport. It has been estimated that in a large goods transport organisation, the total of all taxes may constitute about a fifth of the running costs; in the case of smaller operators, the proportion would be more. The taxes are levied both by the Centre and the States, and where some States levy at higher rates, the total burden of taxation may go up to as much as 35 per cent of the cost of operation. The Central taxes consist of customs and excise duties on motor vehicles, tyres and tubes and accessories and on motor spirit. The State taxes are mainly levied on vehicles but sales taxes on motor spirit, vehicles and accessories, permit fees, cesses, taxes on passengers and goods, and local taxes add considerably to the burden. There is a large volume of opinion in favour of the suggestion that in view of the set-back caused to road transport, an attempt to reduce taxation should first be made. A solution is by no means easy but it is agreed that, on a practical view, a remission of 20 to 25 per cent of the total incidence of taxation would be reasonable. If this recommendation secures all-round acceptance, the relief that it would afford may vary from a minimum of 5 per cent to about 10 per cent of the total cost of operations. It is certainly too much to claim that this alone would lead to substantial or rapid development, but taken in conjunction with other measures it should go a long way.

In the article which follows, an expert view of the character of the taxation problems involved is presented. It is sufficient here to point out that in some States, the tax rates are among the highest in the world and in some areas transport operators are subjected to multiple taxation. A truck with a laden weight of 6½ tons has to pay anything between the minimum of Rs. 200 in Punjab and PEPSU to a maximum of Rs. 1,600 in Madhya Bharat; a 30-seater bus may be taxed between Rs. 219 in Punjab and Rs. 3,600 in Madras. The ceilings recommended by the Motor Vehicle Taxation Enquiry Committee would in these two cases work out respectively to Rs. 810 for a truck and Rs. 2,280 for a bus. In the case of buses, this ceiling is exceeded only in four States, Madras, Travancore-Cochin, Mysore and Orissa; in the case of trucks, three more States—U.P., Rajasthan and Madhya Bharat—exceed the ceiling. It has been calculated that the loss in revenue by a reduction of these rates to the proposed ceilings would be only Rs. 96 lakhs and Rs. 133 lakhs for buses and trucks respectively. That would, however, leave the other States to raise their rates up to the ceiling, as shown in the table on the following page.

It may not be desirable to carry the high-tax argument to extremes, because the issue will arise as to why road transport development has been slow in the low-tax States or why trucks and buses are more numerous in the high-tax areas. There are other factors, like local taxation, which add hindrances to movement if not to the total monetary burden as in U.P. Municipal authorities in Uttar Pradesh impose numerous petty levies which not only have a snowballing effect and add to the burden by the time a lorry reaches its destination, but also harass the operators. Simplification of the tax structure and collection at fewer points may be advantageous to both the authorities and operators in such cases.

Most of these steps have been discussed very often and the Policy Committee of the Transport Advisory Council agreed at its session in Bombay in 1953 on the steps needed to rationalise the tax structure by reducing the collection points, simplifying octroi and adoption of ceiling rates on vehicles. The Transport Advisory Council recommended at its session in 1954 that double taxation of vehicles engaged in inter-State trade and commerce should be abolished. There is always a great lag between such resolutions and action, and so far not much has been done to honour these agreements. The reduction of the monetary burden will help the marginal operators and provide a great incentive. But simplification of collection would make even the monetary burdens bearable. And most important of all, if the revenues are utilised to improve the conditions of the roads, road transport operators cannot feel much aggrieved. It is wrong to suppose that the clamour is all for tax-relief. There is genuine hardship being caused by the multiplicity of taxing authorities, which when added to other licensing and movement-control restrictions, impose severe strain.

Rates of Taxation and Adjustment Needed to Make Them Uniform at the Rates Suggested by M.V.T.E.C. (in Rs.)

State	Trucks	Adjustment	Buses	Adjustment
Madhya Bharat	1,600	—790	275	+2,005
Rajasthan	1,500	—690	600	+1,680
Madras	1,440	—630	3,600	—1,320
Mysore	1,440	—630	2,400	— 120
Travancore-Cochin	1,440	—630	3,600	—1,320
Uttar Pradesh	1,203	—393	540	+1,740
Orissa	1,080	—270	2,320	— 40
Bombay	800	+ 10	875	+1,405
Madhya Pradesh	650	+160	850	+1,430
Saurashtra	520	+290	500	+1,780
West Bengal	455	+355	1,240	+1,040
Assam	450	+360	375	+1905
Bihar	375	+435	843	+1,437
Hyderabad	214	+596	247	+2,033
Punjab	810	Nil	219	+2,061
PEPSU	200	+610	219	+2,061
Delhi	200	+610	Nil	Nil

Taxes on Motor Transport

By
B. V. VAGH
(Vice-President, the Indian Roads and Transport Development Association.)

A TAX on motor transport is not solely a revenue tax but essentially a development tax intended to develop road transport and the road system required by it. Hence, its incidence should be such as to cater for these ends over a reasonable period of years after allowing a reasonable margin for the collection of the tax, regulation of transport for safety and revenue purposes. One does not find this principle in the recommendations of the Taxation Enquiry Commission in regard to the development of road transport. Wherever the Commission have dealt with individual items of taxation on motor transport they have applied the broad principle that as there has been an increase in the number of vehicles in the country there is no case for a reduction of tax. However, in regard to road development they have conceded that while being generally against any ear-marking of revenue from specific taxes for specific purposes they consider that an exception is definitely justified in the context of road development.

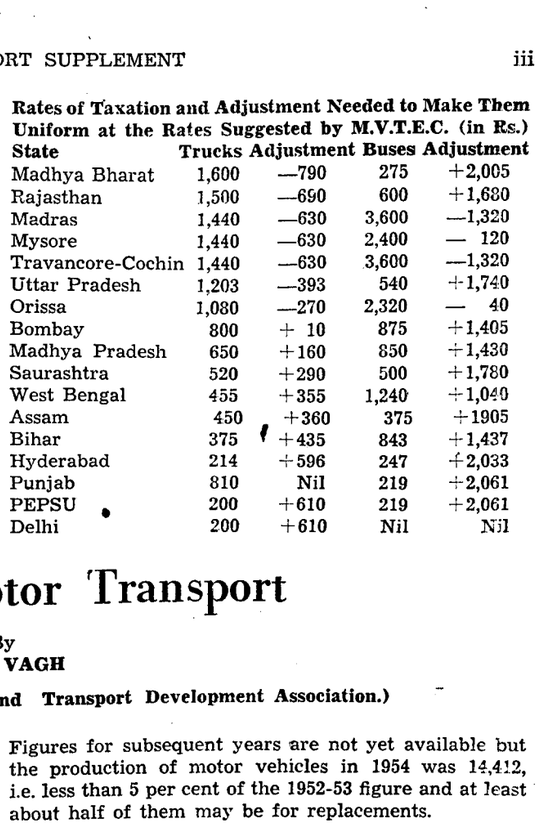
Stagnation in Road Transport

The development of road transport in this country has so far been more or less haphazard and so also has been its taxation which has not been based on any principle of development but solely on the exigencies of budgets. Still, its rise in the past has been significant. The motor vehicle first made its appearance in India in about 1914 and in 1920-21 the number was about 37,000 in the territory now known as the Indian Union. In 1935-36 it rose to about 1,15,000 in the same territory, an increase of about 78,000 i.e., about 211 per cent in 15 years or about 14 per cent per annum over that in 1920-21. In the next 15 years it rose from about 1,15,000 in 1935-36 to about 3,10,145 in 1950-51, an increase of about 1,95,145, i.e., about 170 per cent in 15 years or about 11.3 per cent per annum over that in 1935-36. Thus, the average rate of increase during the thirty years 1920-21 to 1950-51 has been of the order of about 12½ per cent per annum over that of the number at the beginning of each 15-year period. Against this the Commission give the following figures for the next two years beginning from 1950-51:

1951-52	:	3,08,761
1952-53	:	3,33,219

That is, in 1952-53 the increase was about 7.4 per cent of the 1950-51 number, i.e., about 3.7 per cent per annum. Figures for subsequent years are not yet available but the production of motor vehicles in 1954 was 14,412, i.e. less than 5 per cent of the 1952-53 figure and at least about half of them may be for replacements.

The estimated increase in production in tonnage of commodities in the country by '60-61 will be over 80 per cent over that of '50-51 and should naturally require that much increase in the goods vehicles. The total number of goods vehicles in the country in 1950-51, including the truck equivalent of bullock carts, being



about 2,85,000, the increase in goods vehicles alone works out to over 2,25,000. Adding another over one lakh of other vehicles i.e. passenger buses, cars, taxis etc., which will inevitably be required in the normal course, the requirements work out to nearly 3½ lakhs i.e. over 100 per cent increase over that in 50-51 in 10 years or about 10 per cent per annum. In the light of past experience when the average increase was about 12½ per cent per annum this is a conservative estimate and does not take into account deficiencies in railway transport. It has been estimated that for the production of commodities aimed at in the first Five-Year Plan alone this deficiency is of the order of the equivalent of over one lakh of trucks!

The ground on which the Commission have recommended a status quo, viz., that there has been an increase in the number of vehicles, is thus untenable as what appears to be an increase is in a fact a decrease as compared to the progress in the past and the country's requirements vis-a-vis our two Five-Year Plans. Therefore, the obvious course is to develop traffic by making it more economical all around. This means cheapness in both the initial and recurring cost of vehicles. The former postulates abolition of sales tax on vehicles and of excise on tyres, batteries and other ancillaries of vehicles. The latter postulates the scaling down of other taxes, principally, those on motor spirit and motor vehicles.

Tax on Motor Spirit

It has been said that "if we consider the taxes at present levied on the motor vehicle user we find that petrol is taxed in India at a higher rate ad valorem than gold, than diamonds, than beer or whisky, than golf balls—'it is taxed as though it is a luxury of luxuries' ". It is easy to see the truth of this since out of a price of Rs. 2-10 per gallon of petrol in Bombay, Rs. 1-5-9 i.e. more than half represents Central and States taxes. The Commission has mentioned as a point against a reduction of import duty on motor spirit that the "import duty as a percentage of landed cost has fallen from 164 in 1938-39 to 89 in 1953-54". But in addition to an import duty of As. 15-9 per gallon the consumer is also paying at present in some States As. 6 of State Sales Tax, so that the tax now is Rs. 1-5-9 per gallon against As. 10 in 1938-39 i.e., an increase of 117½ per cent. That at Rs. 1-5-9 the tax on motor spirit is about 126 per cent of the landed cost against 164 per cent in 1938-39 shows that like that of all commodities the post-war landed cost of motor spirit also has gone up; then it is a ground for reducing the duty to lower the selling price and thereby encouraging road transport.

Motor Vehicles Tax

Of all the taxes on motor transport the Motor Vehicles Tax imposed by States is the most deleterious as it is not paid once for all as in the case of sales tax on vehicles and spare parts or in small instalments as in the case of tax on motor spirit, but in relatively large sums, either quarterly, six monthly or yearly. The incidence of this tax in the case of heavy vehicles is so high that several operators have been known to keep their vehicles idle whenever they cannot afford to pay their quarterly tax. This tax varies from State to State and has been going up continually. In 1949-50 the all-India receipts from this tax were Rs. 6.77 crores from about 2,98,662 vehicles i.e. an incidence of Rs. 226 per vehicle. In 1953-54 they were Rs. 13.14 crores from about 3,45,000 vehicles i.e. an incidence of about Rs. 380 per vehicle, an increase of about 68 per cent. The Motor Vehicles Taxation Enquiry Committee suggested in 1950 a certain uniform scale which was objected to by Madras which had a high incidence of this tax. The Transport Advisory Council suggested the Madras Schedule as a ceiling not to be exceeded while the Taxation Enquiry Commission have suggested a reference to the proposed Inter-State Taxation Council. Thus, the proposal is being kicked around like a football and there is no end in view. Surely there should be no difficulty in taking as basis the latest all-India receipts from this tax, say, for 1953-54 and arriving at a uniform schedule for this tax in all States. Uniformity in taxation is of prime importance in all-India development.

The Commission's recommendations about wheel tax also are not happy. Out of 12 city Corporations in India only two viz., Bombay and Hyderabad levy this tax at present. The Commission have recommended that all of them should levy it in future. This does not sound logical as there is no great point in having a number of taxes levied by a number of authorities and there is no reason why States should not find enough money for City Corporations for their road requirements on an agreed formula as in the case of municipalities.

Tax on Passengers and Goods

The Commission's recommendation to abolish octroi and transit duty on goods passing through a local area is sound as this levy leads to harassment and delay. Octroi on goods consumed locally should, however, be collected with freight at the source, as in the case of railways, according to a schedule. This will avoid delays at destinations. The Commission have said that where the Motor Vehicles Tax is low, a tax on passengers and goods may be levied; where it is high, as in Madras, it should not. This does not strike one as a sound recommendation. A multiplicity of taxes has, in experience, been found to be harmful to the development of road transport and should no longer be encouraged. Secondly the Commission's recommendation is tantamount to an invitation to States other than Madras to levy this tax. This is not desirable. A better alternative is to have a uniform schedule for all States as recommended above.

Excluding receipts from import duty on vehicles, spare parts and tyres, the all-India tax-receipts from other taxes on motor vehicles has been as follows in recent years:

Item	Receipts in 49-50	Receipts in 53-54	
Tax on motor spirit	18.391	37.648	In crores of rupees.
Tax on motor vehicles	6.768	13.140	
Excise on tyres	3.467	4.949	
Wheel tax estd. (Bombay and Hyderabad)	0.320	0.559	
Total tax-receipts	28.946	56.332	
No. of vehicles	2,98,662	3,45,000	(Estd.)
Incidence per vehicle (Rs.)	969	1,633	: 68.5% Increase.

Reduce Taxes by 20 Per Cent

This increase of about 68.5 per cent in tax incidence in a brief period of 4 years has been brought in, at the State's level, on the plea that roads now require a greater expenditure. But against this it must be pointed out that roads are a State responsibility and are, therefore, entitled to a fair share of States' revenue from sources other than taxes on motor vehicles. The fact is that in the past not only the States have not been spending on roads enough from their own revenues but some of them have been diverting portions of taxes from motor vehicles to general revenues. In the result, successive increases in taxes on motor vehicles depend solely on the exigencies of budget. The result of this has been the operation of the law of diminishing returns and the present high tax-incidence has been

affecting both an increase in the number of vehicles and the proper utilisation of the existing number. This has to be stopped immediately. Judged by any standard an increase of more than about 34 per cent in the 1949-50 level of taxation cannot be justified. This means an incidence of about Rs. 1,292 (1-1/3 X Rs. 969) against the present incidence of about Rs. 1,633; in other words a reduction of a little over 20 per cent in the present level of taxation as during 1953-54.

A Suggestion for Allotment

The blue-print of India's road development viz. the Nagpur Road Plan has been accepted by all and the amount to be spent on it will have to be decided in the context of each Five-Year Plan. The only issue is that of apportioning that amount. It has to come from two sources, viz. taxes on motor transport and States' general revenues. Surely, there should be no great difficulty in allocating them on some such formula as, say, ¾ths of the receipts from motor taxes and the balance from State revenues to be credited to non-lapsable Road Funds. This will provide continuous funds and, if the level of taxes is reasonable, an expanding source of income. One cannot help feeling that the T.E.C. have made a simple problem unnecessarily complicated. On the basis of a 20 per cent reduction in the present taxes on motor transport the receipts in 53-54 would be about Rs. 45 crores and import duties on vehicles etc. will be about Rs. 5 crores. At the present rate of increase of say 3½ per cent per annum in the number of vehicles per annum, the tax receipts during the period of the second Five-Year Plan would increase from Rs. 53.5 crores in 1955-56 to about Rs. 62.25 crores in 1960-61.

Three-fourths of this will be about Rs. 220 crores in 5 years. If, as is understood, road development in the second Five-Year Plan is of the order of about Rs. 350 crores the States' contribution from general revenues on the formula suggested above works out to about Rs. 130 crores in 5 years or Rs. 26 crores per annum. Adding an average of about Rs. 22 crores per annum on maintenance this makes about Rs. 48 crores per annum, which on a total States' Revenue of about Rs. 416 crores during 1953-54 works to about 11½ per cent per annum. Deducting the Centre's contribution for National Highways this percentage may be below 9 per cent, which most of the Commonwealth countries and the U.S.A. have been spending on their roads. Actually if a sound policy of road development is adopted, the increase in tax receipts may well be about 10½ per cent per annum instead of 3½ per cent assumed above. This will reduce the States' contribution. The problem is not thus difficult. What is required is a simple agreed formula on an all-India basis.

Operation Costs of Road Vehicles

AMONG the various factors which affect road transport operations, the rate of utilisation of vehicles is as important as the nature of fuel used and its price. The importance of taxation lies in the addition which it makes to the cost of vehicles and spare parts and to the price of fuel. Some of the disadvantages of high taxes may be offset where the effective rate of utilisation is higher than the average. This effective rate depends on a number of factors like the load carried, the nature of the roads, the miles run per day, the percentage of the fleet utilised and, whether diesel or petrol vehicles are used.

Cost of Taxation

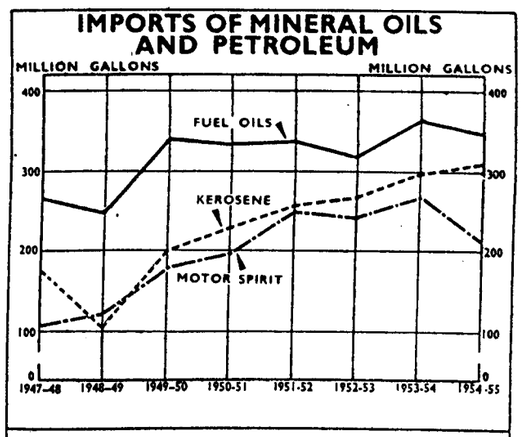
The total tax burden has been estimated, on the basis of a sample, to be about 20 per cent of the total cost of operation. The sample in this case was a large State Transport Organisation whose operations for a half-year in 1953 are reported to have disclosed the following results:

	Rs. lakhs	Taxation as a Percentage
1. Gross Revenue	.. 322.2	18.18
2. Operational Costs	.. 230.0	—
3. Overhead Costs	.. 68.5	85.35
4. Net Revenue (1-2)	.. 92.2	63.48
5. Total Tax	.. 58.6	—
6. Total Cost	.. 298.5	19.62

Of this, the percentage of Central taxes is estimated at 10.5 and of State and Local taxes at 9.1. In this particular case, however, if there is to be a remission of 20 per cent of the taxation, as suggested elsewhere, it will mean only a 4 per cent relief in the total cost of operation. But the rate of utilisation in the case of small owners will not be as high as shown above because this is an example of a State monopoly in operation. Further, the relief due to remission of taxation will also differ according to tax rates in the various States. Where private operators can run vehicles more economically—often it may only be 60 per cent of the cost per vehicle mile under State transport—the proportion which total taxation will bear to the cost of operation will be much higher. It follows that in such cases a 20 per cent relief will also prove substantial.

Mileage Run

It has been estimated that in goods operations, there is a substantial variation of costs per vehicle mile according to the miles run per day. Assuming



a constant 50 per cent load factor and 80 per cent fleet utilisation, the variations may be as follows:

Vehicle utilisation (miles per day)	50	60	70
Fleet required (in percentages)	100	84	72
Cost per vehicle mile (in pies)			
(a) Operational costs:	126.83	125.85	123.73
(b) Standing charges:	79.20	67.12	58.50
	206.03	192.97	182.23

These variations may account for a saving between Rs. 1,400 and Rs. 2,800 a year per vehicle.

Nature of Road and Fuel Used

A study made in Bombay to discover the differences between good and bad roads proved that the saving on account of a modernised first class road can be as much as 32 pies per mile out of a total cost of 255 pies. It has been estimated that on the basis of an annual mileage of 20,000 per vehicle, the saving per year may be over Rs. 3,330 (is about one-seventh of the average cost). By increasing speed, better roads increase the total miles run besides saving fuel; the consumption of spare parts and tyres is also very much reduced.

By employing diesel buses, the saving possible has been calculated to be as much as 53.8 pies per bus mile or about Rs. 5,600 in all in a year per vehicle (on the same total annual mileage). It is also estimated that the uses of different types of vehicles may also give a substantial economy because of the differences they make in the proportion of the fleet put on the roads, fuel consumption and the expenditure on batteries and spare parts.

Load Factor

The difference which the load factor can make to operation costs is illustrated by the following estimates made for a 3½-ton petrol lorry and 6-ton diesel lorry respectively. The three assumptions about the load factor indicated therein are (1) 80 per cent load one way only and nil on return; (2) 30 per cent on the outward trip and 20 per cent on return; and (3) 80 per cent on the outward trip and 50 per cent on the return trip:

	Assumptions		
	(1) 40%	(2) 50%	(3) 65%
Load factor			
6-ton Diesel Lorry (pies per ton mile)	106.5	85.1	65.6
3½ ton Petrol Lorry (pies per ton mile)	191.0	152.9	118.8

These variations will not affect the operator's total cost per vehicle mile on the two types of trucks but this will be significant in strengthening the operator's competitive position in attracting traffic and hence in increasing total earnings.

Thus there are two sets of factors; one which helps to reduce costs of operation like the use of diesel trucks, better roads, suitable makes of vehicles, and another, which helps to increase earnings—like larger load percentages and longer mileage per day. It is obvious that licensing policy can to a certain extent promote the right policies in the interests of promoting economical transport and thereby of road transport development.

Road-Rail Co-ordination

THE problem of road-rail co-ordination which has often been discussed in relation to road transport problems is one of the hangovers of a distant past. It is like one of the inhibitions of childhood which continues to distort the human personality in later years. This talk of co-ordination still appears to influence some of the railway policies in wrong directions, even though many of the conditions have changed and a different set of problems have to be faced in the future in the name of co-ordination in transport planning.

A serious problem of road-rail co-ordination arose in the early thirties because of certain peculiar developments. The roads—at least the better ones—often ran parallel to railway lines; but in future the emphasis will be more and more on construction of feeder roads to develop the communications system of the country, so that operators will have other areas in which to ply their vehicles. When the rate of road development on feeder lines is sufficiently high, the possibility of deliberately competitive services being started merely to snatch railway traffic will be negligible. Further, the time has arrived when the Railways will have deliberately to foster such supplementary services even on the parallel roads in order to undertake services which they are not in a position to offer. There is no assurance that the present incapacity of the railways to carry all the traffic offered to them will only be temporary and that the problem of road-rail competition might recur in its original form after railways have developed. At least during the next decade, railway capacity is unlikely to exceed the expanding demands for movement. The Railway Plan for the next five years is already considered to be high in terms of outlay; even so, it makes inadequate provision for the general goods traffic and passenger traffic that is likely to be created.

The conditions in which the railways faced severe competition from roads cannot recur for various reasons. In the '30s' the railways had spare capacity because of the depression; on the other hand road transport became cheaper and competitive not only because of lower initial costs of vehicles but also due to a temporary phase of cut-throat competition among the international oil companies. Thus both road and railway vehicles were chasing a declining volume of goods on the same routes. The situation is now exactly in reverse. The costs of road transport operation are unlikely to fall. The high cost of vehicles, the taxes on vehicle spare parts and fuel have all loaded the competitors on the roads and if they can still offer competitive services it is only in certain kinds of traffic which can bear higher rates, because of the saving on packing, freedom from damage and expeditious delivery. The tendency of the Railways to oppose measures which are deemed necessary for developing or expanding other means of transport—on the roads, waterways or along the coastline—should now cease as such opposition is no longer necessary to safeguard the future position of the railways. Where there is still an element of competition left, it must indeed prove to be good as an incentive to railway efficiency and to cut out all irritating formalities, delays and the risks of damage in transit which a State monopoly creates as it grows.

A beginning has been made already. The Railways have moved substantial quantities of their own coal requirements by the rail-cum-sea route thereby releasing a number of wagons for general use. By using electric power, hydro or thermal, wherever possible, they can save wagon space for coal needed by industry. Finally, the railways which spend more on, and get less from, passenger traffic can well afford to

let some of this traffic move by road so that overcrowding and the complaints arising out of it can be reduced.

It has been observed that there has been a serious decline in the "smalls" traffic on the railways. In 1940-41, the percentage of wagons loaded with such traffic was 23.1 on broad gauge and 25.9 on the metre gauge; in 1953-54 it was 7.7 and 14.1 respectively. Consignors of such "smalls" have often been compelled to book their consignments as parcels by passenger trains to avoid restrictions and delay, though parcels bear high rates. This is not entirely a normal high-rated traffic for railways; it leads to congestion on railway platforms and pilferage has increased. When the distances involved are short—below 200 miles—the roads can well be allowed to take them, especially as the freights on road vehicles will not be appreciably lower than the parcel rates. The railways have been reported to be reluctant to let this traffic be transferred to the roads because it is 'high-rated' and adds to revenues though better handling and quicker delivery facilities to consignees will make road transport a better agency for moving this traffic.

The Railways have contended, for example, that the practice in the composite Madras State (now applicable in Andhra) in issuing permits on specified routes up to 300 to 400 miles is unfair to the Railways. The road routes often cover points which are of commercial importance but not properly connected by railways and there is a certain amount of flexibility in the operations of road transport agencies which the Railways cannot ensure. The observance of the Code of Principles and Practice—drawn up on the old basis of road-rail co-ordination—would require that the operation of a goods vehicle should not normally be allowed beyond a distance of 75 miles from its headquarters. This would hamper movements across shorter distances when the railway routes would often involve a very long haulage. Deviations from the Code must now be allowed as a rule and the onus is now on the Railways to prove that all the traffic offering can be handled equally satisfactorily by them—which would be difficult to establish at this stage at most points. The rigid restriction of the movement of goods vehicles within a radius of 75 miles—involving a maximum distance of 150 miles within a compact area of 17,678 sq. miles—would thus not be possible always; it can be circumvented easily by opening more "headquarters" and consequent addition to the expenditure on such offices, without helping the railways in any way.

Bombay has similar objections. The Madhya Pradesh Government has accepted the Code as part of the Motor Vehicle Rules. Punjab has contravened the Code but has followed a very liberal policy which has helped movement, including inter-State traffic, and contributed greatly to the facilities available for goods transport. In U.P. no difficulty is experienced in observing the Code because of numerous scattered points as headquarters, often with overlapping zones, served by public carriers. The railways have "empties" returning from Calcutta which they would like to utilise for traffic now carried on the roads but West Bengal appears on the whole to have adhered to the Code while allowing for sufficient scope for road operators. The observance of the Code thus depends entirely on local conditions and no inference of non-co-operation should be drawn in some of these cases. For small States, observance is relatively easy; also in States where the railways are not significant like Travancore-Cochin there can be no complaint. Rajasthan, Saurashtra and Madhya Bharat are large States not well served by railway lines and they have their own difficulties in the observance of the restrictions imposed by the Code which have to be recognised. The problem has to be seen now in a different perspective and the Railways have the responsibility for disclosing where the surplus and unused capacity has been created for them because of competition—not merely that they have lost high-rated traffic which they would have carried. They cannot always carry them except by creating difficulties for other goods.

Rigours of Regulation

THE extent of control to which the motor transport industry has been subjected under the Motor Vehicles Act, 1939, has been the subject of much comment. In origin, much of this control was the product of the old fears of road-rail competition but they have survived into an era in which those fears no longer have any validity. It does not follow that the regulations also become ipso facto devoid of all justification; but it certainly means that they have to be tested in the light of existing conditions with a view to promoting road transport to supplement the Railways. Road transport operations have to be regulated for the purpose of preventing undesirable competition as well as for conserving the roads. But such regulations need not necessarily be restrictive. They have to ensure that private operators who seek licences have sufficient resources and facilities to provide the kind of services needed under terms consistent with public policy. Some of these basic conditions are provided for under Chapter IV of the Motor Vehicles Act, 1939.

Though situations may be imagined in which there may be public grounds for prohibiting certain types of goods traffic being moved on the roads, in the changed position of road-rail relations, there should normally be no need to apply such provisions to restrict road traffic. The power of the State to fix maximum or minimum fares or freights in relation to railway freights is unnecessary now so long as competition on the roads is regulated by licensing and the question of competition with Railways will not arise because of the high cost of motor transport. A ceiling may, however, be needed to prevent excessive rates which are to the detriment of the public. The agencies established to regulate transport and the extent to which traffic should be allowed on the roads are also matters arising for regulation. The Act also provides for the issue of temporary permits for special occasions like fairs and festivals or seasonal goods movements but at the same time lays down that non-temporary permits should be granted for not less than 3 and not more than 5 years. But these powers essential for normal regulation can be abused much and the argument of those who demand greater freedom of operations is largely that such abuse by State Governments exists and ought to be avoided—not so much that the regulation is unjustified.

Actually much of the criticism pertains to the Code of Principles and Practice prepared by the Transport Advisory Council. Its major premise that the Railways "will be operated with a view to secure the improvement of the services offered by the Railways and the greatest possible measure of co-ordination with other forms of transport" has not been proved by events. The primary object of co-ordination under the Code was "to avoid wasteful competition" and in this respect, the public ownership and management of the Railways was regarded as the decisive factor. The conditions laid down there for goods transport permits—in paragraph 7 of the Code—were devised only to safeguard the Railways and have no validity apart from the fears which justified them. Therefore, it can be said that at the present time the Code is pointless for the most part. The possibility of competitive and duplicate services being opened when Railways have spare capacity to

carry goods offered is very remote because the investment needed for operations—on such a scale as to cause risks to the railway revenues—is so high as to rule out the possibility of serious competition. But at the same time, it may be admitted that the rule of restriction of goods vehicle traffic to 150 miles (within a compact area of 75 miles) and the special relaxation up to 300 miles and exceptional provision for traffic beyond that limit would give quite adequate scope for the expansion of goods traffic on roads.

The Code has not been ratified by about eight State Governments and elsewhere implementation has not been rigid. The Railways have made a grievance of the freedom prevailing in Punjab. In West Bengal, the literal observance of the Code throws a heavy burden on operators in obtaining counter-signature for moving across the restricted zones, involving time and money. There are not enough reciprocal agreements between the State Governments for enabling operators to move across their borders freely and unless permits issued in one State are made automatically valid in the other, the uncertainty and difficulty would continue.

State Governments have increasingly resorted to the issue of temporary permits which are disproportionately large—the only advantage being that where there is a proposal to nationalise services on a route, it can be effected merely by non-renewal of the licence on its expiry. But it may also mean a desire to make the rules an instrument of political patronage. The result in any case is the creation of uncertainty which cannot promote investment and efficient operation of road services. No purpose is served by the grant of permits to persons ill-equipped to run transport services while more competent men are kept out. The fact that all this abuse has been possible in spite of the regulatory provisions of Chapter IV of the Motor Vehicles Act, may be proof of the point that they cannot check deliberate abuse; but in their absence, the position might have been still worse.

However, there is substance in the road transport industry's criticism that transport control has been bureaucratised so much that it is being practised without any knowledge of the conditions of operation. When officers already in charge of nationalised transport are also placed in charge of regulation of private services, unbiassed administration is hardly possible; so the two branches of activity should be kept quite separate. The grant of licences should be based on some principles and it has been suggested that to avoid decisions in favour of individuals, who are not well fitted to run services, the enquiries should be open to the public so that the applicants may show proof of acceptance of minimum conditions.

The object of all regulation in the present context must be to put enough vehicles on the road where the traffic demands it and then to create the conditions which would enable a fairly high load to help run the system on economical lines. Permits should necessarily be for longer periods if sufficient investment is to be forthcoming. State borders should not become serious obstacles for the free flow of commerce and existing regulations which require frequent countersignature have to be modified. This may require a Central law—which is not difficult to enact since legislation in respect of mechanically propelled vehicles is in the Concurrent List of subjects. Until there is such legislation, the tendency of State Governments to regard their boundaries as their own domain—from which they can exclude outsiders and impose any hardship on normal traffic—must be ended. This is part of the field of inter-State commerce in which the Centre has a special responsibility; and inter-State routes also follows the National Highways. The policy hitherto pursued, of watching whether the State Governments would succeed in evolving by mutual agreement such favourable arrangement among themselves, has not paid well.

There is special hardship on private carriers though their proportion to the total is very low already judged by international standards—in Europe and the U.S.A. There is no reason for restricting the movement of goods in a lorry by its owner wherever he chooses—when private cars can carry persons freely. It is good to encourage industrial and manufacturing establishments to own their own trucks, subject only to the fulfilment of conditions which would reduce the deterioration of roads maintained at public expense. There is also special need to dispense with rigid conditions in the case of lorries which serve the needs of rural areas and on feeder roads. These recommendations have been accepted by the Transport Advisory Council, but the usual lag between decision and implementation creates uncertainty.

Policy on Nationalisation

THE question of nationalisation in relation to road transport services has several aspects. There is, firstly, the dubious technique adopted in nationalisation, giving rise to the grievance that by mere withdrawal of licences for operation and the substitution of State services, private operators are put to heavy losses on their investments for which they are left uncompensated. An issue of principle is here involved but the effect of the latest Constitutional Amendment is to say that even if there is injustice as a result of this technique that must be construed as part of State policy which should be left without redress. The second aspect of nationalisation relates to the efficiency of operations of State transport systems; except State Governments and those ideologically in favour of State operations, nationalised services have not given satisfaction to the users of transport. There is finally the more practical question of how much Governments should interest themselves directly in transport operations consistently with their other responsibilities and the resources available for investment under the Plan. An assessment of this capacity from time to time should help the States to demarcate definitely the areas which should continue to rely on private carriers who need assurance of continuity of operations for a minimum period.

The tendency has of late been to discuss only one or other of these aspects in isolation in order to decide the future policy on nationalisation. The question of compansation now settled by the Constitution only settles the legal controversy, in which the Supreme Court's judgment in the Saghir Ahmed case laid down general principles which are not invalidated. The moral obligation to be fair to private operators in the process of nationalisation through cancellation or non-renewal of licences—which renders all their equipment surplus and unsaleable elsewhere—cannot indeed be diminished by the Amendment, even though such obligation may not be realised or honoured. But it is certainly worth bearing in mind that though the issue has been settled by law against the private sector, it does not answer the question whether such terms could induce private investment in road transport, at least in those sectors where it is admitted to be most needed. If a heavy price is to be paid in terms of restricted transport facilities in such areas, with undesirable consequences to economic development and employment, it could prove a doubtful constitutional victory.

Opinions on the question of efficiency may vary according to the partiality for nationalised or private services but the instances are few where State operations have led to reduced costs or to improved services. Most nationalised schemes relate to passenger services and the record has on the whole been poor. The standards of amenities and courtesy are almost always lax involving inconvenience to passengers and the services have been hopelessly inadequate not so much because the fleets have been small but because the problems of organisation of workshop facilities for maintenance and repairs become more complex when large fleets are involved. The State, which can act an efficient invigilator when it strictly supervises private carriers, acquires a vested interest in defending inefficiency which results from its own operations so that the public is left without redress. There is no reason to believe that in handling goods traffic the State Governments will do better; and it is not, therefore, unfortunate that the aspiration to nationalise goods transport on the roads is now entertained only in Bombay State. This aspiration, however, is the outcome not only of an ideological attraction to State-ownership but also of the availability of about 835 vehicles received under Aid—which have become surplus because of the stoppage of food movements.

It is quite clear that there are known limits to the efficiency which most State Governments can show in nationalised transport enterprises. There are limitations of financial resources in undertaking expansions of such operations in proportion to the existing and potential traffic on the roads. In nursing ambitions which cannot be fulfilled or which can only be imperfectly realised, State Governments are thereby creating uncertainty and hindering other agencies from undertaking the provision of transport services which are badly needed. Temporary or short-term permits which they are prepared to issue to private operators for this purpose can hardly call forth the investment on the scale needed on vehicles and repair facilities even during short periods. The routes and traffic offered have not also been such as to promote economy in operation. It is not also unlikely that on the basis of these hampered operations, conclusions would be drawn about the efficiency of private operations.

A year ago, the Planning Commission in consultation with the Central Transport Ministry circularised to State Governments the principles which should regulate the policy on road transport development. These are contained in the following passage:

GOODS SERVICES

(i) Schemes for nationalisation of road freight services will not be considered for inclusion in the Plan until 1961, i.e., the end of the second Five-Year Plan.

(ii) Permits should be granted freely for periods of not less than three years in accordance with the provisions of the Motor Vehicles Act, 1939; and

(iii) A special incentive should be given to viable units by granting them permits for a maximum period of five years under the provisions of the Motor Vehicles Act.

PASSENGER SERVICES

(i) State Governments desiring to nationalise road passenger services should prepare phased programmes for consideration by the Planning Commission for inclusion in the Plan, defining clearly the areas of proposed nationalisation up till 1960-61; and these will be considered provided (ii) and (iii) below are accepted by the State Governments.

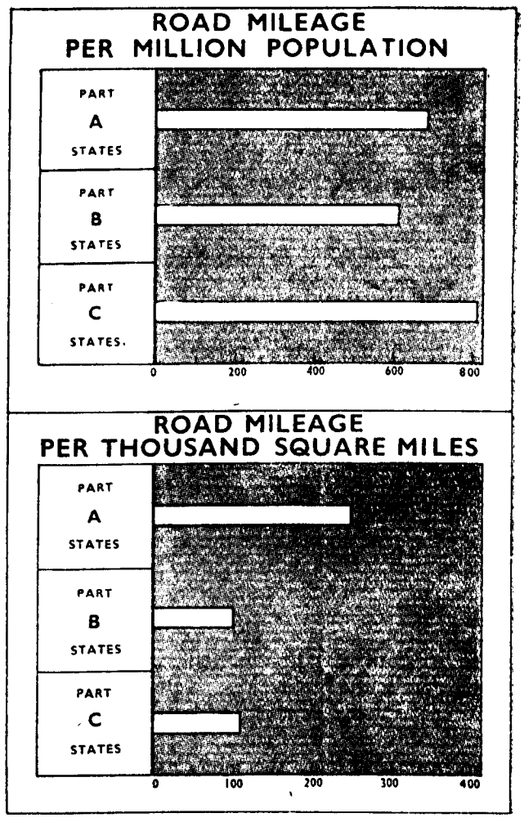
(ii) In the areas that would be left outside the approved nationalised schemes, permits should be granted freely for periods of not less than 3 years in accordance with the provisions of the Motor Vehicles Act, 1939.

(iii) Within the areas which are included in the approved nationalisation schemes, permits should be granted for the longest period permissible under the expansion schedule, but within the maximum limit set by the Motor Vehicles Act.

(iv) Where Government participation is contemplated, the setting up of a tripartite organisation in which State Governments, Railways and Private Operators will participate, should be favoured.

(v) In areas to be left entirely to private operators, special encouragement should be given to the formation of viable units.

No substantial change is called for in these principles. A close adherence to them in day-to-day administration is all that is expected. But in all matters concerning roads—whether it is taxation, or the implementation of agreed principles about removal of restrictions on free movement or the pace of nationalisation—there is a serious lag in enforcement. A Constitutional Amendment by itself cannot vindicate State Governments' actions. The power to nationalise must remain somewhat hypothetical so long as new investments of the order of Rs. 100 crores for passenger services and about Rs. 200 crores on goods vehicles—besides the organisation of workshop facilities on an adequate scale—cannot be found in the public sector. And unless there is a desire to constrict the economy until then, there is little room for genuine doubts or differences on the soundness of the policy enunciated above.



Means of Transport: Rates of Growth

THERE has been no major shift in India's Road transport policy from the pre-independence pattern. The basic objectives of the Nagpur Plan continue to receive unqualified and all-round approval, but physical targets of expansion have been considerably lowered in the first Five-Year Plan because of limited resources. Fresh additions to road mileage have been quite modest. The official road statistics, available for the period of one year prior to the commencement of the current Five-Year Plan, show the following situation:

TABLE 1

Mileage of Extra-Municipal Roads on 31st March, 1950

	Metalled	Unmetalled	Total
Part A States ..	68,567	122,894	191,461
Part B States ..	24,004	17,835	41,839
Part C States ..	2,801	5,331	8,132
Part D States ..	81	..	81
TOTAL ..	95,453	146,060	241,513

This broad classification discloses the unsatisfactory spread of the network of roads in Parts B and C States. But a breakdown of road distribution in individual Part A States also reveals lopsided development. The mileage-vehicle ratio, which gives an index of effective use of the road system, establishes the underdeveloped state of motor transport in this country. The ratio in India which works at 1 mile per 1.1 motor vehicle shows a striking lag behind the ratios obtaining in other countries with varying levels of economic development—1 mile per 2.9 vehicles in Australia, 6.7 vehicles in France, 8.1 vehicles in Egypt, 17.1 vehicles in the U.S. and 18.1 vehicles in the U.K.

The test of the growth of road transport must be sought in the rate of the expansion of motor transport vehicles whether in the passenger or freight sector. Table 2 sets out the progress in the growth of motor vehicles after the partition of the country.

TABLE 2

Motor Vehicles Taxed in India in the Last Quarter of Each Year

Year	Private Cars	Taxis	Buses	Goods Vehicles	Total
1948-49	133,399	10,607	27,275	72,926	244,207
1949-50	143,653	10,788	30,317	78,537	265,285
1950-51	147,712	11,551	34,411	81,888	275,562
1951-52	148,341	11,946	34,234	84,171	278,692
1952-53	156,154	13,261	39,449	90,075	298,940

The conclusions which suggest themselves from the above trends in growth cannot be taken in absolute terms. Buses and goods lorries are material from the angle of development of motor transport. In the case of these two potential components, the apparent rate of growth between 1948-49 and 1952-53 shows an increase of 45 per cent for buses and 25 per cent for goods trucks. The basis of these figures is the returns of taxation in the final quarter of each year, and there is reason to believe that much of the improvement in the statistics of motor vehicles in Parts B and C States reflects the results of better recording of data after the integration of these States.

The trends in import and home production are also vital for the determination of the broad order of actual additions to vehicle fleets. These trends are indicated in the tables below:

TABLE 3

Imports of Motor Vehicles in the Indian Union

	Passenger Cars (Motor Cars including Taxi cabs)	Commercial Vehicles (All Motor Omnibuses including trucks, buses & Vans)	Total
1947-48	23,197	12,217	35,414
1948-49	18,012	21,299	39,251
1949-50	7,159	11,455	18,614
1950-51	8,349	4,807	13,156
1951-52	9,957	4,712	14,669
1952-53	5,164	3,637	8,801
1953-54	5,816	4,189	10,005
1954-55	10,546	4,576	15,062

TABLE 4

Production of Motor Vehicles in India

1951	21,577
1952	14,873
1953	13,926
1954	14,462

The The crucial figures in Table 3 are those relating to the imports of commercial vehicles—trucks and buses. Since partition, 1947-48 and 1948-49 easily stand out as the best years for imports, whose high magnitude is explained by the pent-up demand and the liberal import policy followed in the latter year. The trends in the flow of imports since 1922-23, which are shown in the statistical section of this Supplement, reveal (on the assumption of 20 per cent share of the areas which now constitute Pakistan) that imports of commercial vehicles ranked as the second highest for the Indian Union in 1948-49 over a period of three decades. In the subsequent years these imports have declined steeply and this trend ought to be weighed in conjunction with a similar trend of a rapid fall in domestic production after 1951. The vital fact which emerges from this relative assessment unmistakably indicates that the availability of new vehicles was at the maximum level in 1948-49 after which there was a sizable contraction in supplies. The increase of the order of 45 per cent in buses and 25 per cent in goods lorries in 1952-53 over 1948-49, as revealed in Table 2, cannot establish any valid conclusion of actual additions to physical stocks of that order. The relevant trends clearly indicate that more careful recording in official documents offers an important explanation of the increase.

It would be a grave error to equate the effective vehicle capacity of road services with the size of fleets as disclosed by registration data. A substantial part of the new additions to stocks since 1947-48 has been absorbed in replacements which had accumulated due to the high rate of depreciation and low imports. It is common experience that inadequate replacements account for a high ratio of overaged vehicles in operation. But a most vital factor which reduces the effective strength of fleets of transport services is the high proportion of idle capacity. Estimates show idle capacity ranging between 75 per cent in PEPSU and over 66 per cent in Bihar and Himachal Pradesh, on the one hand, and 46 per cent in Uttar Pradesh, on the other. The average for the entire country may be placed around 35 per cent.

It would be reasonable to assume that the rate of growth in motor vehicles in the seven years since independence is unlikely to be in excess of half of the apparent increase disclosed in Table 2. Imports of motor spirit lend corroboration to this assumption.

The growth of motor transport in the immediate future has a vital bearing on the expansion of the home

automobile industry. The tentative programme fixed for automobile manufacture in the second Five-Year Plan shows the annual target capacity for cars and commercial vehicles in 1961 at 12,000 units for cars, 40,000 for trucks and 5,000 for jeeps and station wagons. The figures of sales in 1953—6,000 cars and 8,000 commercial vehicles—however, indicate the urgency of positive incentives for this high absorption such as reducing the incidence of taxation as well as in eliminating the uncertainties created by the prevailing policies on nationalisation and issue of permits for vehicles.

The rapid progress of urbanization since the war, accentuated by refugee rehabilitation since partition, has forced attention to the expansion of urban transport. This is essentially a problem of the growth of vehicles. The bicycle has provided a handy and economical means of transport in these areas. The trends in the expansion of supplies of bicycles since 1948 are shown in Table 5.

With the additions of four units in 1951 and 1952, the number of firms producing bicycles has now been increased to six with annual rated capacity of 437,500 bicycles. The estimated consumption in the near future of 450,000 bicycles is quite capable of being satisfied by domestic production. The production capacity of 550,000 units at the end of 1955 will be raised at a rapid rate. The target for 1960-61 is 1250,000 bicycles which is to be achieved by establishing 3 new units with a capacity of 110,000 bicycles, expansion of 5 existing units to secure additional capacity of 105,000 bicycles, and by working more than one shift for the production of the balance.

The bullock cart cannot be brushed away as an outmoded vehicle in any consideration of the development of road transport, inasmuch as it has become an integral part of the rural economy. It is also unlikely to be replaced in the foreseeable future by the motor truck in view of the character of our village roads. The probabilities are the other way as increasing commercialisation of agriculture, which is implicit in the schemes of expansion of irrigation, will set in motion larger numbers of carts for transport from the farm and the country-side. But its efficiency can be increased by fostering improvements like the substitution of the pneumatic tyre for the iron tyre in order to save road surfaces from wear and to enable larger loads being carried per vehicle. Future additions to the 90 lakh carts in the country will, however, mostly be of the existing structure.

TABLE 5

Home Production and Imports of Bicycles

Home Production		Imports	
Year	Output	Year	Imports
1948	55,451		
1949	64,425	1948-49	264,392
1950	103,153	1949-50	268,148
1951	114,275	1950-51	165,811
1952	196,956	1951-52	283,127
1953	264,169	1952-53	197,565
1954	372,365	1953-54	90,362

The Role of the Oil Industry

SINCE all problems of road transport arise in relation to motor vehicles and their running depends on the organised distribution of fuel oil, oil supplies either precede or follow the opening of new routes. The oil industry in India has devoted large sums of money and great administrative effort to ensure that the products they sell for automotive use and the plant and equipment they instal are in line with the best practice elsewhere in the world. Petrol and high speed diesel oils are manufactured at the refineries, or imported, under controlled conditions and petrol is now mixed with additives designed to improve performance. It is distributed through an elaborate system of installations and depots, by rail and by road, to ensure sealed, clean and accurately measured delivery through the service station network to the public.

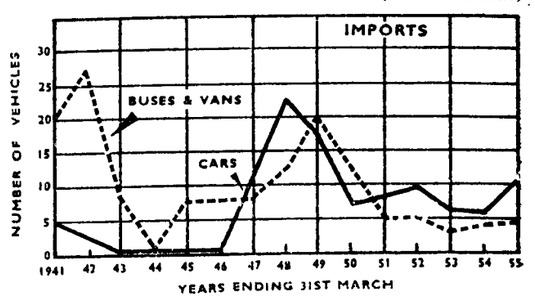
It takes time to build up a distribution system equal to that now available in India, as well as great cost, and therefore the oil companies have had to plan far ahead to ensure that its vital supplies are available evenly and cheaply over the vast distances of India. The distribution machinery which the companies have erected would be capable of meeting a rapid expansion of demand by a healthy road vehicle transport system. In recent years there has been improvement in the service station network distributing petrol and high speed diesel oil. These station facilities and trained men who run them, observe a high standard.

The rate of increase in India's oil consumption has not recently been highly encouraging. In the developed countries, the rate of increase of demand in all countries is similar at around 30 per cent over three years since 1951-52 and 10 per cent in 1953-54. Most countries show this rate of increase of activity with the exception of India, where petrol trading has not only failed to increase, but has dropped by 5 per cent between 1951 and 1954 and has remained stationary in 1953-54. The reduced demand for petrol is not compensated for by increased demand from diesel vehicles. Though the demand for automotive H.S.D. has been rising recently, in 1954 it was still only slightly less than 30 per cent of combined diesel fuels, and the combined off-take of petrol plus H.S.D. totalled some 950,000 tons in 1954, which represents a rise of only 6.6 per cent over 1951 and 8.5 per cent over 1953. The combined total in 1953 was actually below that of 1951.

International comparisons may not always be appropriate. The highly developed countries have a higher standard of living and some have oil resources which can maintain a high rate of utilisation. But the essential point to remember here is that except for the spurt in oil consumption after derationing of petrol, there has been no increase in the use of petrol to reflect the expansion of the economy since 1951-52. It is not merely due to lack of expansion of the road system, because the existing road system can carry greater loads than they now do, provided more vehicles are put on the roads, for the traffic which is clearly there and offering itself. The low consumption of petrol is also convincing proof of under-utilisation of even existing vehicles.

Imports of Cars, Buses and Vans 1940-41—1954-55.

(In Thousands)



Notes on Transport

THE ROAD TRANSPORT CORPORATIONS ACT, 1950

THE ROAD Transport Corporations Act which was placed on the statute book in December 1950 aims at providing a uniform and co-ordinated pattern for the constitution, powers and functions of State-owned transport undertakings in all the States of the Indian Union. It repealed the Road Transport Corporations Act, 1948, and among other things validated the constitution and acts of the Bombay State Road Transport Corporation and its Board.

The Act provides that shares of Road Transport Corporations, wherever set up, should be guaranteed by the State Governments in respect of repayment of capital and dividend at specified minimum rates. The autonomy of Corporations has been qualified by certain specified provisions for the overall control of the State Governments. The executive head of the Corporation, whether he is designated as the Chief Executive Officer or General Manager, must be appointed by the State Government. Likewise, the Chief Accounts Officers is to be an appointee of the State Government with control of the funds and expenditure of the Corporation. He is vested with the special right of recording his views on every proposal involving expenditure before it comes up for the Corporation's consideration. The State Government has been granted the power to order enquiries into the activities of the Corporation for corrective action. Part of the transport undertakings may be taken over by a nominee of the State Government for a period necessary to straighten out its affairs. Persistent default in duties or inability to perform essential functions renders a Corporation liable to supersession by the Government, with prior approval of the Central Government, for a specified period.

The powers of financial control follow the usual pattern. The Corporation's budget for a financial year requires previous approval of the State Government, which in effect sets limits on expenditure only in conformity with approved grants. But some latitude is granted to the Corporation, in the interest of flexibility in operation, to make re-appropriations, within the limits of approved grants, from one head of expenditure to another, or from one scheme to another. The accounts are subject to audit, as usual, by a government-appointed auditor.

A major virtue of this Act lies in prescribing an equitable machinery for fixing the amount of compensation to be awarded to private owners whose road transport undertakings are to be taken over by the Corporation. Failing an agreed scheme of compensation, the dispute is to be referred to an arbitral tribunal consisting of three members—one nominee of the private operator, one of the State Government and a Chairman to be nominated by the Chief Justice of the High Court of the State. An appeal may be preferred against the decision of the arbitral tribunal to the High Court whose order will be final.

This corporation method has not found favour with some States who wish to run the services on departmental lines. Only about three States besides Bombay have been thinking on the lines of the Act so far.

The Motor Vehicle Enquiry Committee's report which was submitted to the Central Government towards the end of October 1950, had urged that an all-India Tribunal, analogous to the Railway Rates Tribunal, be established for reference of complaints regarding high charges of fares and rates by State road undertakings and to make its jurisdiction more comprehensive to include complaints about inadequacy of services or failure to provide balanced services as between remunerative and unremunerative routes. The Act needs prompt amendment in this direction.

TRANSPORT AND INDUSTRY

SIR GEOFFERY HEYWORTH, Chairman of Unilever, who recently made the problem of transport the theme of his annual address, has pointed out the variety of the means of transport used for distribution operations by Unilever according to the conditions of each country, the nature of the product and the cost in relation to service in each case:

Percentage Distributed Through

Soap	Road	Rail	Water
U.K.	37	52	11
Netherlands	30	Nil	70
West Germany	80	—	20
All advanced countries	37	48	15
Margarine			
All advanced countries	77	31	2

In the U.K. the depots of the Unilever Company handle both soap and margarine and are served by all three systems of transport, so that the one which provides better service at lower cost is chosen. But in view of the frequency of strikes in railways, there has been a reluctance to rely too much on this form of transport. In the Netherlands, the use of water transport was favoured because the waterway companies provided depots; in France the railways have secured preference because they provided warehouses. In West Germany both road and waterway companies provide depots, but while water freights are the cheapest, road transport was quicker. Road rates in Germany are tied to rail rates, and so the quicker method of road transport is therefore preferred.

Even in the use of road transport, there is flexibility of operations because of the choice available between using transport owned by the Company or exclusively contracted for it and in getting the services of private hauliers wherever they are cheaper. These constant adaptations reduce the cost to the consumer while maintaining a high standard of service. While the depot system formed the general pattern of distribution, there were exceptions, as in the Netherlands, where delivery was made direct from railways to consumer. The modernised Dutch railways provide a combined rail-road service covering the smallest hamlet and they enter into special contracts on special terms with customers because they have to compete with water and road transport. Therefore all the Unilever margarine was delivered through rail.

With all this flexibility, however, the Chairman of Unilever could not help deploring the tendency of transport to be "too much at the whim of domestic politics". In Germany, where railways are State-owned, road hauliers are prevented from giving special concessions so that industry itself has to own its own fleet but again inviting a heavy tax upon itself. "In the main", observes Sir Geoffrey Heyworth, "the origin of this rigidity is the unwillingness of the older forms of transport to accept the consequences of technological change and to meet the changing demands of industry." The bold, defensive attitudes—especially on the part of railways—must be radically re-adjusted to an era of expanding production and striving after full employment.

NUMBER OF MOTOR VEHICLES IN SELECTED COUNTRIES IN 1951

Country	Passenger Cars	Trucks	Buses	Total Motor Vehicles	Population per Motor Vehicle
Europe					
Austria	58,801	54,893	3,658	177,352	60
Belgium	324,000	148,000	2,950	474,950	16
Czechoslovakia	105,000	61,500	1,800	168,300	74
France	1,670,500	941,200	24,000	2,635,700	16
Western Germany	748,080	451,075	17,391	1,216,546	39
Holland	165,000	86,000	—	251,000	41
Ireland	106,365	28,291	1,229	135,885	22
Italy	443,855	255,394	6,635	705,884	66
Spain	89,602	82,427	7,776	179,805	159
Sweden	310,000	91,000	8,000	409,000	17
U. K.	2,339,207	908,769	73,425	3,321,401	15
U.S.S.R.	180,000	1,600,000	20,000	1,800,000	107
Asia					
Afghanistan	731	3,603	225	4,559	2,632
Arabia	5,800	5,900	225	11,925	838
Ceylon	39,179	12,612	3,333	55,124	139
China	3,000	46,000	4,000	53,000	4,745
Hong Kong	10,600	3,000	400	14,000	133
India	170,000	108,155	26,500	304,655	1,188
Indonesia	36,245	24,437	8,400	69,082	1,129
Iran	14,000	16,500	2,500	33,000	545
Japan	57,533	318,522	21,220	412,111	203
Pakistan	24,740	7,946	5,969	38,655	1,958
Thailand	11,613	6,869	5,042	23,524	778
Turkey	13,405	15,404	3,755	32,564	642
America					
Argentina	221,042	128,310	11,920	361,272	47
Brazil	276,845	236,732	16,000	529,577	99
Canada	2,093,423	717,056	12,071	2,822,550	4.9
Cuba	86,464	37,215	4,930	128,609	42
Ecuador	4,300	8,200	2,300	14,800	208
Guatemala	8,876	4,080	1,606	14,562	191
Mexico	193,080	127,052	18,766	338,898	75
Netherlands, W. I.	8,387	2,775	475	11,637	13
El Salvador	8,957	1,433	1,000	11,390	163
U. S. A.	42,682,591	9,035,754	230,461	51,948,806	3·0
Uraguay	45,000	25,000	2,000	72,000	33
Venezuela	69,960	53,773	3,656	127,389	39
Oceania					
Australia	992,777	524,359	11,441	1,528,577	5.4
Hawaii	125,292	26,669	814	152,775	3.5
New Zealand	276,036	101,500	2,345	379,881	5 1
Africa					
British East Africa-Kenya	19,808	16,065	724	36,597	147
Nyasaland	2,406	1,541	91	4,038	607
Tanganyika	8,164	7,370	††	15,534	477
Uganda	4,800	3,600	††	8,400	590
Egypt	65,909	15,599	4,129	85,597	234
Ethiopia	3,926	4,092	39	8,057	1,861
Mauritius	3,995	1,251	191	5,437	83
Rhodesia	43,854	30,783	††	74,637	50
Union of South Africa	496,279	136,634	4,610	637,523	10

†† Included with trucks.

STATEMENT SHOWING POPULATION, NUMBER OF TRUCKS AND THE RATE OF MOTOR VEHICLE TAX PER TRUCK IN EACH STATE

State	Population	No. of Trucks	No. of persons per truck	Rate of motor vehicle tax per truck
U. P.	63,215,742	6,119	10,331	1,203
Bihar	40,225,947	3,978	10,112	375
Orissa	14,645,946	2,167	6,813	1,080
West Bengal	24,810,308	19,295	1,286	455
Assam	9,043,707	4,759	1,900	450
Manipur	577,635	492	1,174	..
Tripura	639,029	423	1,511	..
Sikkim	137,725	..	..	..
Madras	57,016,002	8,356	6,823	1,440
Mysore	9,074,972	1,639	5,537	1,440
Travancore-Cochin	9,280,425	2,131	4,355	1,440
Coorg	229,005	374	613	..
Bombay	35,956,150	15,069	2,387	800
Saurashtra	4,137,359	1,561	2,650	520
Kutch	567,606	61	9,305	..
Madhya Bharat	7,954,154	903	8,808	1,600
Hyderabad	21,247,533	3,453	6,153	650
Madhya Pradesh	18,655,108	3,119	5,981	214
Vindhya Pradesh	357,690	368	9,714	..
Bhopal	36,474	372	2,219	..
Rajasthan	15,290,797	2,818	5,426	1,500
Punjab	12,641,205	3,004	4,208	810
H. P. & Bilaspur	1,109,466	108	10,273	..
PEPSU	3,493,685	1,462	2,390	..
Delhi	1,744,072	1,586	1,100	200
Ajmer	693,372	198	3,502	200

IMPORTS OF BICYCLES INTO INDIA

Year ending 31st March	Imports
1944	28,335
1945	37,391
1946	76,141
1947	212,554
1948	261,958
1949	264,392
1950	268,148
1951	165,811
1952	283,127
1953	197,565
1954	90,363
1955	89,414

TRAFFIC DENSITY-INTERNATIONAL COMPARISON

Country	Motor Vehicles	Road Mileage	Motor Vehicle per mile
Great Britain ..	3,321,100	183,800	18.1
Switzerland ..	215,000	28,800*	7.5
Belgium ..	475,000	28,800	16.5
Holland ..	246,000	25,900	9.5
France ..	2,636,000	394,400	6.7
Spain ..	180,000	80,100	2.2
Italy ..	676,000	109,400	6.2
Norway ..	121,000	27,600*	4.4
Sweden ..	409,000	106,000	3.9
U. S. A. ..	51,426,000	3,009,000	17.1
Canada ..	2,809,000	552,000	5.1
Egypt ..	87,000	10,800	8.1
Union of South Africa	638,000	171,700	3.7
India ..	274,000	239,100	1.1
Pakistan ..	32,000	56,900	0.6
Australia ..	1,523,000	525,200	2.9
New Zealand ..	358,000	77,100	4.6

* Excluding unimproved roads.

NOTE: An exact comparison of the density of traffic in different countries is complicated by local variation in the definition of what constitutes a road. Mileages for countries other than Great Britain in the above table are taken from 'World Road Statistics' issued by the International Road Federation and show mileages as they were at the beginning of 1948. Number of Vehicles are taken from the American Automobile Census of Worlds' Motor Vehicles, 1952. Motor Cycles and agricultural tractors are not included.

VALUE OF IMPORTS OF MOTOR VEHICLES AND MOTOR VEHICLE SPARE PARTS

(In lakhs of rupees)

Year ending 31st March	Motor Vehicles	Spare parts exclusive of Tyres and Tubes	Tyres and Tubes	Total
1944 ..	2.90	57.93	2.26	63.09
1945 ..	267.07	59.84	2.67	329.58
1946 ..	317.96	158.47	0.95	477.38
1947 ..	793.18	126.94	2.39	922.51
1948 ..	1,558.85	355.52	9.85	1,924.22
1949 ..	1,759.81	454.18	6.50	2,220.49
1950 ..	955.00	445.73	12.58	14,413.31
1951 ..	662.02	979.94	19.91	1,661.87
1952 ..	824.37	1,474.59	22.95	2,321.91
1953 ..	629.55	779.37	12.55	1,421.47

Source: Basic Road Statistics (Supplement) 1953.

EXPENDITURE ON THE CONSTRUCTION, DEVELOPMENT AND MAINTANCE AND REPAIRS OF NATIONAL HIGHWAYWAYS FROM 1951-52 OWNWARDS

(In lakhs of Rs.)

Name of State	1951-52 (Actuals)		1952-53 (Actuals)		1953-54 (Actuals)		1954-55 (Estimated)	
	O.W.	M. & R.	O.W.	M. & R.	O.W	M. & R.	O.W.	M. & R.
Andhra	..	..	..	..	11.89*	13.83*	35.00	33.00
Assam	9.95	33.50	19.12	31.99	19.74	32.90	25.00	40.50
Bihar	25.18	33.47	31.29	28.38	38.80	33.67	95.00	35.00
Bombay	26.19	38.32	59.08	42.40	106.72	42.42	116.00	42.00
Madhya Pradesh ..	13.12	17.80	17.82	20.61	32.36	23.09	32.00	25.00
Madras	55.81	70.97	55.76	71.36	29.14	60.51	27.00	42.00
Orissa	51.97	14.86	17.76	16.10	58.19	18.40	30.00	19.56
Punjab (including PEPSU) ..	37.75	20.46	26.42	20.03	29.78	24.82	48.00	22.00
Uttar Pradesh	19.86	42.13	43.22	46.60	47.45	49.37	55.00	49.00
West Bengal	64.48	28.38	68.46	38.69	57.46	30.37	60.00	38.50
Hyderabad	5.62	11.71	1.10	11.87	0.05	15.75	11.00	18.86
Madhya Bharat ..	2.94	10.86	6.33	11.69	9.69	11.76	18.00	17.15
Mysore	..	..	..	..	..	..	1.00	8.78
Rajasthan	3.17	11.33	3.84	8.09	11.88	8.75	10.00	9.80
Saurashtra	..	2.76	..	2.37	4.06	4.89	19.00	5.40
Travancore-Cochin ..	0.03	2.20	2.27	7.09	19.52	5.19	4.00	8.27
Jammu and Kashmir ..	..	..	..	..	..	..	25.00	17.91
Ajmer	0.56	1.39	0.36	1.64	1.74	1.40	1.00	2.25
Delhi	2.60	2.49	5.13	2.79	7.83	2.40	10.00	2.50
Himachal Pradesh ..	2.67	2.97	8.20	3.45	22.53	3.36	18.00	3.50
Kutch	..	..	..	..	0.13	..	3.00	0.48
Vindhya Pradesh ..	..	2.30	..	5.11	0.49	3.36	1.00	3.04
Sikkim	..	6.59	0.94	7.87	3.99	8.50	6.00	13.00
Total ..	321.90	354.49	358.10	378.13	513.44	394.74	650.00	457.50
Pathankot-Jammu Road ..	16.29	5.82	1.53	3.61	12.23	4.54	18.80	4.75
Grand Total ..	338.19	360.31	359.63	381.74	525.67	399.28	668.80	462.25

* Represents expenditure incurred during 1-10-1953 to 31-3-1954.
O.W. = Original Work. M and R = Maintenance and Repairs.

IMPORTS OF MOTOR VEHICLES INTO INDIA

Year	Passenger Cars	Commercial Vehicles (vans, trucks and buses)	Total	Year	Passenger Cars	Commercial Vehicles (vans, trucks and buses)	Total
1923-24	7,984	1,044	9,028	1939-40	9,965	14,537	24,502
1924-25	9,380	2,162	11,542	1940-41	5,058	19,639	24,697
1925-26	12,757	4,840	17,597	1941-42	2,854	28,355	31,209
1926-27	13,197	6,343	19,540	1942-43	381	6,819	7,200
1927-28	15,122	8,682	23,804	1943-44	41	69	110
1928-29	19,567	12,790	32,357	1944-45	13	7,737	7,750
1929-30	17,399	15,306	32,705	1945-46	263	7,513	7,776
1930-31	12,601	8,913	21,514	1946-47	10,688	8,649	19,337
1931-32	7,220	4,302	11,522	1947-48	23,197	12,217	35,414
1932-33	6,201	2,676	8,877	1948-49	18,012	21,229	39,251
1933-34	9,759	5,496	15,255	1949-50	7,159	11,455	18,614
1934-35	14,434	9,973	24,407	1950-51	8,349	4,807	13,156
1935-36	13,590	8,470	22,060	1951-52	9,957	4,712	14,669
1936-37	12,939	9,160	22,099	1952-53	5,164	3,637	8,801
1937-38	15,697	15,077	30,774	1953-54	5,816	4,189	10,005
1938-39	10,988	7,860	18,848	1954-55	10,546	4,516	15,062

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NET RECEIPTS FROM STATE ROAD TRANSPORT SCHEMES

(Lakhs of rupees)

States	Year (1)	Gross Receipts (2)	Working Expenses (3)	Transfer to depreciation reserve (4)	Interest on capital invested (5)	(6)=(3)+(4)+(5) (6)	Net receipts (2)—(6) (7)	Capital outlay as at the end of the year (8)	Percentage net return on capital outlay (9)
Assam	1952-53	74	47	..	..	47	27	N. A.	..
	1953-54*	68	47	7	..	54	14	48	29
	1954-55**	83	57	9	..	66	17	..	..
Bihar	1952-53	12	8	..	..	8	4	..	..
	1953-54*	41	26	9	3	38	3	..	..
	1954-55**	90	56	15	6	77	13	..	..
Bombay†	1950-51	399	314	63	..	377	22	533	4.1
	1951-52				Not	available			
	1952-53					do			
Madhya Pradesh††	1952-53	..	..	..	..	..	1	23	4.3
	1953-54*	..	..	..	..	..	1	..	..
	1954-55**	..	..	..	..	..	1	..	..
Madras§	1953-54*	144	114	10	2	126	18	..	..
	1954-55**	143	112	12	2	126	17	..	..
Orissa§§	1952-53	26	19	3	1	23	3	17	17.6
	1953-54*	28	20	3	1	24	4	..	..
	1954-55**	43	30	4	1	35	8	..	..
Punjab	1952-53	68	60	10	2	72	—4	61(p)	—6.5
	1953-54*	85	70	11	2	83	2	..	..
	1954-55**	174	79	11	2	92	82	..	..
Uttar Pradesh	1952-53	291	238	43	..	281	10	379	2.6
	1953-54*	335	273	40	..	313	22	397	5.5
	1954-55**	383	304	44	..	348	35	448	7.8
West Bengal§§§	1952-53	63	73	15	3	91	—28	174	—16.0
	1953-54*	89	89	13	4	106	—17	211	—8.0
	1954-55**	109	98	13	5	116	—7	240	—2.9
Hydrabad	1952-53	203	202	25	9	236	27	278	0.7
	1953-54*	258	204	22	11	237	21	..	..
	1954-55**	278	215	22	11	248	30	..	..
Madhya Bharat	1952-53	56	54	5	..	59	—3	..	..
	1953-54*	107	65	7	..	72	35	..	..
	1954-55**	70	55	7	..	62	8	..	..
Mysore	1952-53	37	28	10	1	39	—2	..	..
	1953-54*	42	34	5	1	40	2	..	..
	1954-55**	50	38	8	1	47	3	..	..
Rajasthan	1952-53	1	1	..	..	..	..	..	..
	1953-54*	1	1	..	..	..	..	..	..
	1954-55**	2	2	..	..	..	..	..	..
Saurashtra	1952-53	16	15	..	..	15	1	..	..
	1953-54*	18	16	3	1	20	—2	..	..
	1954-55**	19	14	3	1	18	1	..	..
Travancore-Cochin	1952-53	152	142	15	4	161	—9	..	..
	1953-54*	157	135	19	5	159	—2	..	..
	1954-55**	166	128	22	7	157	9	..	..
Himachal Pradesh	1952-53	22	23	2	1	26	—4	22	..
	1953-54*	28	17	3	1	21	7	..	..
	1954-55**	33	21	2	1	24	9	..	..
Delhi	1952-53	67	59	11	2	72	—5	—82	—6.0
	1953-54	78	63	8	3	74	4	105	3.8
	1954-55*	83	67	7	5	79	4	150	2.7

† In Bombay State, road transport services were run departmentally till 1949-50; from 1st April, 1950, Bombay State Road Corporation was set up on a bipartite basis, the share capital being held jointly by the State Government and Railways in the proportion of 3:1. In 1950-51 the latest year for which information is available, the dividend earned by the Bombay Government on its share capital of Rs. 4 crores amounted to about Rs. 11 lakhs.

†† In Madhya Pradesh there are two road transport companies organized on a tripartite basis, the share capital being owned by the State Government, Union Government and private operators. The State Government held shares of the face value of Rs. 23 lakhs out of total paid-up capital of Rs. 54 lakhs in the two companies as at the end of 1952-53. The net receipts shown here are the dividends earned on the State Government's share of capital invested; the rates of dividend declared by the companies were 4 per cent and 6 per cent respectively in 1952-53.

§ The figures for 1953-54 are available for the second half of the year and have been doubled.

§§ In Orissa besides the nationalized road transport services the result of which are shown above, the Government have invested Rs. 25 lakhs in the share capital of Orissa Road Transport Company Ltd. The State Government received a sum of Rs. 50,000 towards dividend in two years 1950-52 and the amount was utilised for further investments in the concern. There were no net receipts in 1952-53. §§§ Covers data for State Transport services in Calcutta and Cooch Bihar. (p) Provisional.

* Revised Estimate. ** Budget Estimate.

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The Indian Industries Fair

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The Delhi Fair: Equality of Opportunity?

THE Indian Industries Fair, to be opened on October 29 and to run until December 15, is a landmark in Indian industrial showmanship. This is not because, as is sometimes said, this is the first Industrial Fair to be held in India. There have been hundreds of exhibitions which, to a greater or less degree, can be said to qualify as trade fairs. Year after year, the progressive State of Mysore held the Dusserah Exhibitions in Mysore City, and even set aside an area permanently built up for this purpose. In this, as in a few other things, Mysore was ahead of the Government of India. It is not the fact the Government of India has now happily risen far above any State Government that is new; it is the scale of its participation which has made possible a display of which it might be said with pride that it is in the class of the very highest exhibitions of the world. Again, it is not the area alone that gives the Delhi Trade Fair its high claim to special consideration. It is still smaller than the Milan Fair and, perhaps, in the range of its exhibits less interesting than some of the major European Fairs. But here there is an element noticeably absent from fairs anywhere in the world. The industrial capacity and artistic skills of the Free World have been matched in Delhi as at no other place with a tremendous effort from the Communist countries. India's neutral position in politics has made possible a truly competitive fair where, unafraid of discrimination, all the countries of the world have joined to capture the buyer's imagination. This show and the showmanship are designed primarily, let it also be said, for the Indian consumer; we are thus happily the centre of the piece, being wooed by foreign suppliers.

In the pages which follow a brief attempt has been made to indicate some of the special attractions of the Delhi Fair. It is not, however, in these details that the great success is to be found. It is largely in intangibles. The first of these is the fact that the Industries Fair symbolises the arrival of India as one of the great show-places of commerce and industry in the world. We have hitherto occupied a lowly place both in salesmanship and showmanship. The immense organisation which goes with fairs of this kind has not until now been displayed with any significant imagination. Now at least both the Government of India and private concerns have launched on showmanship and, perhaps, on salesmanship in a large, imaginative way. The difference in the scale of operations suggests that something significant has happened to the outlook both of the Government of India and of Indian commerce and industry. There is imagination and skill here to which tribute can justly be paid by commentators, who incidentally have come from many parts of the world. It is right and proper that the organisers of this Fair and the Ministry of Commerce and Industry, under whose auspices so much has been done to bring it about, should receive credit now from home sources. Imagination is not so abundant that we should take its display as a matter of course.

This is ostensibly only a Trade Fair. But its special character arises quite frankly from our foreign policy. India's neutral position in foreign policy might be said to have invested the Delhi Fair with an interest and range denied to fairs situated on either side of the Curtain. The possibilities of reaping advantages from both sides of the Curtain are not of course confined to India; but no place in the world is so good as Delhi at this time. The Delhi Fair draws its supplies from more countries than any other fair in the world. This is no small service. The free exchange of goods across Cold War frontiers—which still remain although the pressures behind them have been recently reduced—can do nothing but good to the world as a whole. It

is fair to say that by reason of the fact that the Communist countries have chosen to make Delhi their foremost show-place, there has never been a better show-window for the evaluation of the capacity for supply of the countries behind the Curtains. This has been of more than commercial significance. It may well be that the appreciation of the capacity of the skills of Communist countries here to be obtained will reduce not a little of the complacency of the Western world; some better understanding of the Communist world may result.

From first appearances of the Communist effort there is certainly no room for complacency on the part of the Free World. There is here a matching, almost piece by piece, of the products offered by the Western world. It would be an error for the Western world to assume that the scale on which these goods are offered will not be large enough in the next few years to meet likely gaps in India's second Five-Year Plan. Enquiries made in New Delhi from delegations from Eastern Europe have revealed that the capacity for supply of the USSR and the Eastern European countries are far greater than Indian observers have tended currently to assume. This may be a fact which brings no satisfaction to those who view the coming of the Communist countries to the East with some alarm. But, pleasant or unpleasant, the arrival of the Communist countries as great trading partners of India is a fact, the full significance of which it is now for the Western world to appreciate.

Partly because the Delhi Industries Fair reflects the growing imagination and understanding of the Indian people in commercial salesmanship, partly because it provides a unique opportunity for comparison of the strength and range of exports of the Free and Communist worlds, and partly because it stands as a symbol of the coming change in the traditional dependence of the Indian Union on the Free World for practically all it needs, the Delhi Fair is invested with a significance which should not be underrated.

This is a challenge and an opportunity to us as well as to the countries here represented. So far as India is concerned the choice has been made to run the risks of neutralism, implying that our doors are equally open to Communist suppliers as well as to those of the Free World. Let those who run read in this fair either support or denial for this choice. The signs seem clear. If the Western world does not open its doors wider to make larger supplies to the Indian Union, our overwhelming ties in commerce with the West may well be decisively changed in a generation.

A Show-Window That Is Different

DOWN the decades, the techniques of publicity have changed, but not its objective; it still remains what it was in the days when the following American jingle was coined;

If you whisper down a well
About goods you have to sell
You will not make as many dollars
As a man who climbs up a tree and hollers.

Normally, propaganda about a product is brought to the attention of the potential buyer only incidentally. You read the papers for the news and alongside the news columns are displayed advertisements in the hope they will catch your eye. You go to the cinema to see the feature film and find that they have slyly sandwiched an advertisement "short", between the news reels and the main film. You loll about leisurely along the street or stand at a bus stop gazing idly when a poster attracts your attention. You listen in to your favourite artiste on the radio but also cannot help hearing about some product or the other, either at the beginning or the end of the programme. A shopkeeper maintains an attractive and brilliantly lit show-window at considerable expense on the offhance of arresting the attention of passers-by. It is only in the case of an industrial exhibition that the buying public flocks to the stalls solely with a view to examining the exhibits and if possible knowing something about them. It is here the unique character of the exhibition as a medium of publicity comes in. An exhibition is, therefore, a show-window with a difference.

For once the manufacturer gets an audience which is prepared to listen with interest to what he has to say. He thus gets an ideal opportunity to put out a convincing story to his buying public. He can do so without any question about having made his "copy" too long—a horrible suspicion that invariably plagues him in his publicity campaigns in the press. He need not abbreviate his message to his home as he has to in his film "shorts" because there every foot of the film costs him dear and, besides, he has the time-limit to adhere to in the screening of advertising films.

Above all, the producer gets a chance to really "interview" the potential buyer which is so much more valuable because all the other media of publicity are a sort of one-way traffic when the manufacturer is all the time trying to enlighten the customer without ever getting a chance to adapt his sales talk as to include almost all the answers to the questions that are up in the mind of the buyers. True, this kind of opportunity the manufacturer gets when he sends teams of trained investigators who ring door bells with a view to obtaining the housewife's reactions to a particular product. Even so, an interview with a customer in an exhibition stall is in a class by itself because the buying public come there in a mood to listen, whereas the housewife has to put up with the twaddle of a market research girl who, it sometimes happens, tackles the lady of the house a few minutes after she had had a heated argument with the neighbour.

Because he has a cross-section of the public who would like to know everything about his product, a manufacturer who has had the imagination to rig up an attractive stall in the exhibition has the opportunity to do some effective public relations as well for his firm. While the display of a product is good publicity, "selling" the firm to the public is good public relations. To have launched a product that has become successful and which receives the support of the buying public on account of its intrinsic merits is not enough. Any manufacturing house of importance has also to get itself accepted by the public in the country in which it operates as a firm which, besides being fair in all its dealings, is also making a definite contribution to the nation's economy. By films, pictorial and other visual representations all those who enter an exhibition stall can be told the story of not only the product but also the part the manufacturer of the product plays in the country's economic life.

The value of the exhibition to the manufacturer does not end here. He can see for himself irrespective of his competitors' wares arrayed in all their smartness. If the manufacturer in question happens to be the leader in his line he takes a legitimate pride in his achievement. If he is not, he gets a pretty good idea of the leeway he has to make up before his article can come up to the level of the best displayed in the industrial fair. This is particularly true of those indigenous manufacturers who are still to achieve a standard of quality comparable to their imported counterpart. After all, how often does an Indian manufacturer and his technical men get an opportunity of examining foreign counterparts of the products they make as also the other details connected with technical, packaging and pricing aspects?

Modern industry is based on mass production. Mass production implies markets extending almost over the entire country and sometimes even beyond. In view of the distances to be covered, languages spoken and the insignificant proportion of the population that can be reached by press publicity due to the low level of literacy in the sub-continent that is India, an industrial exhibition of the type that opens in Delhi on October 29 presents a magnificent opportunity to our industrialists.

World's Great Fairs

THE practice of holding international trade fairs is progressively gaining popularity in almost all countries of the world. As a consequence of powerful developments in industry during recent years and the tightening competitions in world markets, producers take keen interest in the exhibitions to derive full advantage for safeguarding and expanding the marketing of their products. Most countries, however, hold such fairs in the hope of gaining not only orders from foreign buyers for their manufactures but also national prestige. National pavilions are erected in foreign trade fairs at huge cost, which do not always include trade sections and may not sometimes be proportionate to the business returns. Indeed, such pavilions have their advantages, particularly for the comparatively small or inexperienced business man who would otherwise feel embarrassed among a host of foreign trade sections.

But it is significant that the organisers of the Stockholm Trade Fair seem to feel that, some day, national pavilions should be dispensed with and goods should be exhibited groupwise, regardless of the country of origin. This may not necessarily mean that the countries would be precluded from displaying their wares on a large scale in trade fairs. That funds available for outlays on exhibitions are limited with every country needs no emphasis. The increasingly growing number of trade fairs, held around the same time in many countries, therefore, makes it necessary to select the most important and economically feasible ones. At the same time, the right course would seem to be to avoid the undesirable competition in erecting costly pavilions, which is, perhaps, a result of increasing tendency to mix trade with politics.

An instance of how trade and politics are often mixed was provided at the Stockholm Fair this year where both American and Russian pavilions had been put up. The theme of the American pavilion was "America at Home", with an American home equipped with modern and up-to-date do-it-yourself domestic appliances on display. The Russian display included heavy agricultural equipment as well as the better things of life like carpets, women's fashions, and wines. What the exhibitors had at the back of their minds could be understood from the literature they provided regarding their exhibits. Whereas the American publications gave the trading points about the goods and how they could be obtained, the Russian emphasis was on the achievements of their country. Similarly, the fact the United States has been trying to put up a huge agricultural exhibition in Moscow can hardly be considered a purely commercial event, devoid of any element of political importance.

Nobody can, however, afford to ignore the importance of international exhibitions on the plea that other nations may be using them for political ends. Purely national exhibitions cannot promote export trade to the extent that an international fair does. While it is always appropriate to discourage channelling of trade into the narrow confines of politics, it is also necessary to enhance the prestige of the nation, at least for capturing foreign markets.

Different methods of doing business are prevalent in the various fairs. In some, like Milan, manufactures are displayed with the primary purpose of attracting the attention of a prospective buyer to goods of particular interest that can be supplied, and relevant information is given without any obligation. Enquirers are frequently guided in finding their requirements in other fairs, when they are not available there. In others, actual purchasing and selling is done on the spot, as for instance, in the Poznan Fair in Poland. A remarkable and heartening feature of this year's fair was the increasing interest shown by Western firms in trade with the East, and Poland's determination to transact business in accordance with general international practice.

A thing that is of vital significance for every country is the importance of maintaining full employment and providing new employment to the ever-increasing labour force. With the expansion of production, new avenues have to be discovered for marketing the surplus production. This is not any more the concern of only the individual firms or manufacturers fighting each other for orders to keep their factories going. Obviously, much of the capital goods are required by underdeveloped countries, who often need credits over a far longer period than an individual exporter can afford to give. Even though some measures have been adopted to overcome this difficulty, like the EPU providing credit automatically on a large scale, the seriousness of the problem remains, which calls for urgent attention. Trade fairs may succeed in providing a proper forum for valuable contact, but it must be remembered that they form only a part, though an important part, of salesmanship.

I. EUROPEAN TRADE FAIRS

IT has been estimated that in Europe there are now well over 50 fairs a year which advertise themselves as "international" because they attract in varying degrees the interest of buyers from other countries. This multiplication of the number of fairs has not been quite welcome. To the industrial exhibitor, the cost of exhibiting his products increases because he cannot often decline to participate for reasons of prestige. The buyers also are often put to the necessity of having to be in many places, when one of the main advantages to the busy business man of a trade fair is that it is a time-saver. Too many fairs may prove bewildering, except to the government-sponsored exhibitors of major countries who can find the men and the money for all places successively or simultaneously.

Such multiplicity of fairs was often disapproved before the war but in the last few years the pursuit of national prestige has proved the major consideration. Leipzig fairs brought business as well as commercial importance to Germany before this city disappeared behind the Iron Curtain. But it was always a trade fair in its true sense, with little or no government subsidy, without the side-attractions and amenities

which today are needed to attract visitors and tourists. The Continental Fairs in Europe have been more trade-minded because of their long commercial tradition than elsewhere and fairs have been regarded as an integral part of salesmanship. European Fairs have been of the "horizontal" type, with a miscellaneous character of exhibits, whereas American Fairs (including those of Canada) consist of specialised shows, mainly regional or even local, often confined exclusively to buyers in each trade and sometimes even quietly held in private rooms.

THE B.I.F. UNDER CHANGING AUSPICES

THE British Industries Fair now held in May every year has not succeeded in attaining the "international" status of some of the Continental Fairs, partly because of the dislike attributed to the British manufacturer of the Continental way of doing business. It is possible that trading within the British Empire on favourable terms made it less important for British business men to show keen interest in exhibitions at home or in Europe. Commonwealth buyers have generally been well represented and particularly in the post-war period when dollar difficulties compelled larger purchases within the sterling area. More than 40 per cent of the attendance in recent years has been from the Commonwealth—with the largest single group coming from Australia and New Zealand, with India coming next.

It is likely that even this importance which the Commonwealth has hitherto accorded to the BIF will decline with the new Fairs like those of Pakistan and India. In Britain also, as in North America, the tendency has been towards single industry shows unlike the miscellaneous European fairs. The British Industries Fair was until last year conducted by the Board of Trade and came under severe criticism because the Fair was not fully representative of British industry and consequently disappointed many visitors. The BIF this year (1955) was organised by a public Company (BIF Ltd.) organised by the Board of Trade wholly as a commercial undertaking. Sir Ernest Goodale, Chairman of the new Company recently said: "Though there are no revolutionary changes this year due mainly to the short time since the Company took control, there is evidence of a new approach and fresh thinking". It is felt that only when the Fair becomes more fully representative that it can succeed not only in satisfying visitors but in raising national prestige, which the more utilitarian specialised exhibitions cannot successfully achieve.

STOCKHOLM SHOW

HELD every year in August-September for 15 days, the St. Erik's Massan, as the annual Stockholm trade fair is officially known, has, over the last ten years, enhanced the importance of that city as a business centre of Europe. Last year's event attracted 360,000 visitors, of whom 25 per cent were buyers from all parts of Europe. This indicates that, without detracting from the universal appeal which is essential for all such fairs, the organisers of the fair take good care to maintain its business character. The fair is generally divided into National Pavilions and Trade Sections, and caters for consumer and capital goods. This year, 30 foreign countries, including Russia for the first time, participated, of which 14 exhibited their manufactures in their own pavilions.

Among foreign countries, the Russian and Czech displays were the largest, with the German running a close second. The United States had a national pavilion of its own and set high standards of presentation. The pavilion displayed goods concerning mainly home life. A remarkable feature was the clever lay-out of the pavilion where one could inspect every exhibit at close range without feeling that one was doing a crocodile tour. The cost of the space, indoor and outdoor, worked out to about 50 and 15 Sw. Kr., respectively, per sq. metre.

MILLIONS MEET AT MILAN

THE Milan Samples Fair held in April every year is the largest fair in Europe, and "an essential element in world commerce" for manufacturers and business men, eclipsing even the Leipzig Fair, which once provided "world-wide service". It has, in fact, been described as "a combination of the British Industries Fair, the Ideal Homes Exhibition and the Festival of Britain," covering an area of about 100 acres, larger than the Indian Industries Fair. No business is transacted nor are orders booked at the official collective displays.

In the 1954 fair, nearly 12,000 exhibitors, including 3,000 from 50 foreign countries, participated and around 850,000 products were displayed on stands with a total frontage of 34 miles. It attracted over 4 million vistors. This year the 33rd fair opened on April 12, with 44 countries taking part. There were 35 countries officially represented in the Palace of Nations as against 36 of last year; yet the participating private exhibitors were 12,604, including 3,651 from foreign countries, both figures being all-time records. Among foreign countries, the increase in exhibitors from the U.S.—which was for the first time officially represented at the Palace of Nations—was most remarkable. From West Germany, one of the strongest foreign participants, the number of exhibitors has been static since 1952, but the number of Italians has gone on increasing. The rate of increase in the number of exhibitors has tended to slacken, which may indicate that the Fair itself is now facing increasing competition from other centres. The cost of space per sq. metre is 7,000 lire.

LEIPZIG REMAINS BIG

AFTER World War I, most of the German manufacturers were striving very hard to resume business relations with other countries. In the Autumn of 1920, the Leipzig Fair attracted a record figure of 14,039 exhibitors, of whom 573 were foreign. The total number of exhibitors, in 1936, the last normal year in trade before World War II, was far less at 8,106, including 478 non-German, so that the importance of the Leipzig Fair was comparatively reduced. The fair is now held twice a year, in Spring and Autumn. In the Spring fair, mainly capital goods in a wide range are on display while the Autumn fair is generally devoted to exhibiting consumer goods.

POLAND'S PUBLICITY AT POZNAN

COMPARATIVELY less known, the 24th Pozan International Fair opened this year on July 3, and ran for three weeks. The Polish exhibits at the fair showed that Poland was emphasising her position more as an industrial nation and exporter of manufactures than mainly of primary products. Among foreign exhibits were engineering goods, mining machinery, hard fibre machinery, woodworking machines, tools, road-making equipment, automobiles and leather and tanning. Quite a number of influential business men from other countries visited the fair.

The business initiated or concluded at the event exceeded expectations, totalling over £30 million. Besides, the fair provided the opportunity for technical discussions relating to various types of machinery.

FAIR IN FINLAND

THE largest of the Finnish Industries Fair held so far in the country was this year's at Helsinki between September 23 to October 9, 1955. The fair, which was a purely national one, took two years to organize, and the interest taken by the industry was largely responsible for its success. In Finland, the metal industry has recently been developing fast, and its exhibits, ranging from pins to ice-breakers, were among the most prominent in the fair. Woodworking which, like the Finnish art industry, has attained a high level of production, is another important export industry of Finland, and this was also effectively represented in the Fair at Helsinki. In fact, practically every branch of the various Finnish industries took part in the fair to avail of the opportunity to capture the attention of the many visitors at the fair to their latest products and novelties. The fair provided a good opportunity to the foreign buyers of Finnish products fully to acquaint themselves with the manufactures of the Finnish industry.

BRUSSELS ATTRACTS BUYERS

FIRST held in 1920, the Brussels International Trade Fair has been expanding and is now considered as one of the most important in Europe. Consumer goods and machinery are exhibited here each year for 15 days in late April and early May. The exhibition is spread over a big area of 70 acres and the actual exhibition buildings nearly 108,000 sq. metres. Last year, nearly 2,000 exhibitors from 28 foreign lands, and as many from within the country, were represented in the fair, which was visited by over a million people from many countries. It is estimated that among the large number of buyers, there were 16,500 coming from 73 foreign countries. The charges for occupying space under cover and in the open were B Frs. 400 and B Frs. 150 per sq. metre, respectively.

HIGHLIGHTS AT HANOVER

THE German Industries Fair, held in Hanover for nine days in April-May every year, is now a combination of two fairs, the more important Hanover Technical Fair with capital goods on show, and the Hanover Samples Fair, covering consumer goods. Mainly, the fair is utilised as a medium for popularising German products, but non-German firms are also permitted to take part either directly or through agents. A wide range of products is exhibited both in halls and in the open. In the 1954 exhibition, approximately 1,200,000 visitors, including 100,000 from foreign countries, saw goods on display of 3,911 exhibitors, of whom 297 were from abroad. An estimate put the number of buyers at 70 per cent of the total visitors. In permanent halls, the space costs Dm. 65 per sq. metre; in temporary pavilions Dm. 60 per sq. metre; and in the open, Dm. 30 per sq. metre.

Other European Fairs

THE European trade fairs dealt with above are only eight among the many such fairs held annually that exhibit a wide range of goods. There are also other events covering only a particular industry. Such events are, however, more common in North America. A brief description of some other European fairs is given below:

THE UTRECHT SPRING FAIR is generally held for 10 days in March-April, where mostly industrial and agricultural products are exhibited. Of the 3,653 exhibitors in 1954, 1,470 came from 25 foreign countries. The highest number of visitors on one day was 25,000, including many from 67 other lands. Space cost per square metre ranged from 31 to 46 guilders under cover and 15 guilders in the open.

In Austria, the INTERNATIONAL (AUTUMN) FAIR, VIENNA, held for the first time in 1921, comprises trade sections and national pavilions and includes both technical and consumer goods sections. Held in September for eight days, this leading European event generally draws 500,000 visitors and in 1954 there were buyers from 60 countries. Among the 3,599 exhibitors, 1,300 represented non-Austrian.

In the consumer goods section, the cost of space per square metre was Sch. 105 for furniture and Sch. 140 for other goods. In the technical section, space cost ranged from S85 to S120 under cover and S40 in the open.

In Germany, both the COLOGNE and the FRANKFURT INTERNATIONAL TRADE FAIRS are held twice a year in Spring and Autumn. The Cologne event covers household goods, hardware, textiles and clothing and the Frankfurt fair caters for a wide range of consumer goods.

Capital and consumer goods, among them the more important being electrical goods, machinery, textiles, and building material and equipment, are exhibited in the SWEDISH INTERNATIONAL INDUSTRIES FAIR, held in Gothenburg. The event usually takes place in Spring.

The LYONS FAIR and the PARIS FAIR are both held in Spring, and include consumer and capital goods sections. In the former, however, emphasis is on machinery, engineering goods and other capital equipment, whereas in the latter concentration is placed on consumer goods.

Held in Autumn in Yugoslavia, the ZAGREB INTERNATIONAL TRADE FAIR concerns mainly with capital goods, though consumer goods are not entirely precluded from being displayed.

THE IZMIR INTERNATIONAL TRADE FAIR unlike most other international events, includes only national pavilions and no trade sections. The fair is held in late summer and many types of goods are on display.

II. AMERICAN FAIRS

THE CHICAGO FAIR

THE first international trade fair in the United States was held in Chicago in August 1950 in which the products of 47 nations were displayed for two weeks. This was a private venture, as is the Indian Industries Fair, though supported by official encouragement. The exhibits were arranged in commodity groups—8 for consumer goods and 4 for heavy goods—and the 1500 exhibitors who were attracted provided a measure of the importance which the rest of the world attached to dollar-earning. The Chicago Fair did not record a large attendance like European fairs but it is estimated that the sales negotiated at the Fair amounted to $20 million, besides the new contacts established.

TORONTO TRADE DISPLAY

IN Toronto, Canada, two important and famous fairs, namely the Canadian International Trade Fair and the Canadian National Exhibition, are held every year, the former commencing in the first week of June and running for 11 working days, and the latter in late August and early September, lasting 16 days. The Canadian International Trade Fair, organised by the Canadian Government, caters mostly for trade buyers, and public admission is restricted. Whereas the emphasis is on the display of capital goods, consumer goods are also on show. In the 1954 event, over 50 per cent of the 1,431 exhibitors displayed capital goods. The number of visitors was 66,920, of whom 25,160 were trade buyers, mainly Canadian but including 2,000 from the U.S.A. Indoor space is available at $2.5 per sq. ft., which covers cost of some other amenities like light. For outdoor space, the cost is 50 cents per sq. ft.

The National Exhibition is one of the biggest of its type in the world, where large numbers of the general public inspect various kinds of manufactures.

Many permanent buildings in the exhibition, for instance, the food products building, the business equipment building, etc., house commercial goods on display. Visitors numbering over 2,800,000 attended this famous exhibition in 1954.

The Canadian International Trade Fair at Toronto has now closed down but it was considered the first international trade fair in Trans-Atlantic history which had succeeded in making a name for itself. British machine tool makers used it as a medium for making a successful bid in the Canadian market. The Canadian Fair was founded on the principle that the sellers must go to the customers and the Canadian Government started it for the specific purpose of stimulating Canada's post-war domestic economy and her import programme. The closure of the Fair has been due to the decline of support from business men—illustrating one of the problems of such Fairs that once the exhibitors succeed in establishing their business in the particular country, their interest in exhibiting also declines later and fairs get dull. It has also to be remembered that miscellaneous Fairs have not taken root in America—the only other major experiment in the field in Chicago in 1950 having proved a disappointment. American trade missions accompanying exhibitors to various parts of the world have now undertaken some of the tasks of telling the exporters of these countries some tips on how to sell to the American buyer—as to what he is likely to buy and in what shape and package types.

III. ASIAN FAIRS

FOR the people of Asia, the idea of holding trade fairs has long been familiar but international fairs are of more recent origin, because many of the countries had proved natural markets to the metropolitan colonial powers which were not under a special necessity to do sales promotion. In New Delhi, since independence there have been exhibitions which have attracted outsiders but the Indian Industries Fair of 1955 will be the first trade fair in its real sense. This year there have also been similar fairs in Djakarta, Karachi and Tokyo. Colombo and Pnom-Penh will also hold trade fairs.

The Tokyo International Trade Fair held in May (5th to 18th) was the second of its kind in post-war Japan, sponsored by the International Trade Commission and supported by other organisations interested in trade. Machines and tools dominated the shows of both Japanese and foreign exhibitors. (The fair will be held next year in Osaka). At this year's fair, there were 450,000 visitors and about 1,568 overseas buyers and Japanese exporters did business for about 1,650 million yen and importers for about 500 million yen. Indian buyers (119) were second after the US(612).

At the Third International Fair held in Djakarta between August 12 and September 18 this year, many of the countries now at the Indian Industries Fair participated. The fair was held to coincide with the tenth anniversary of the Indonesian Republic but it has been an annual feature since 1952 open to all countries. The Karachi Industries Fair this year was also the third since 1952 and was held for a month from September 2 and overseas countries were well represented, though the short notice prevented many others from participating.

Operation Display

[The following hints on the art, craft and wisdom of exhibiting at Trade Fairs Overseas given to United Kingdom Exhibitors in an illustrated booklet by the Board of Trade contain instructive lessons for all exhibitors at international fairs.—Ed.]

TRADE fairs are one of the oldest ways of conducting business. They make money for those who know how to use them; otherwise they would not flourish as they do. But it takes skill and experience to use them in the best way. This is particularly true of fairs overseas; some United Kingdom firms that have ventured into this field in recent years have been disappointed with the result. The object of these notes is to make clear to intending exhibitors some of the pitfalls which need avoiding; the notes are based on the advice of a number of experienced United Kingdom exhibitors.

Certain preliminary warnings must be given. Exhibiting at overseas fairs must be regarded as part of a co-ordinated sales campaign and never in isolation as an operation complete in itself. It is not worth while trying to exhibit without being ready to back up the stand with literature, skilled personnel, publicity and the techniques described in succeeding paragraphs. Persistence is often called for. A manufacturer of anodised ware writes: 'An exporter should not become disappointed if results of the first showing in a foreign field do not come up to expectations. We have known one and sometimes two fairs to be disappointing as foreign buyers are sometimes sceptical of a new line, but once they have seen a firm exhibit for two or three years or more, it appears they gain confidence and then commence buying.'

Care should be taken to observe the traditional trading practices of the country where the fair is to be held. A maker of domestic electric washing machines emphasizes this in saying: 'The goods we show on our stand are carefully chosen so as to be as nearly as possible the special requirements of the house-wife in that particular country. We find that each country has small differences as regards selling methods, etc., and these are carefully studied and complied with. Great attention is paid to the normal trading methods, including discounts, guarantee services, etc., and every effort is made to ensure that we can offer to potential buyers the standard discounts and after-sales services which prevail in that particular country.'

Once a particular overseas market has been selected for attack and it has been decided that exhibiting at a trade fair is to form part of the campaign, it is necessary to select the right type of fair, and to make various preparations which many firms regard as the keys to success.

CHOICE OF FAIR

Choice of the right type of fair for the goods on show is vitally important. A firm of precision instrument manufacturers, in explaining a preference for highly specialized fairs, writes:

'Our conclusions are that large exhibitions, no matter where they are held, are not beneficial to manufacturers such as ourselves who specialize in a product having a limited application.'

Of course, the problem of deciding on the right fair for the product is not an easy one. In some cases the target will be a specialized buyer. In others it may be the general buyer, or even the creation of interest among consumers. Highly developed markets, such as the United States of America, support a great many specialized fairs as well as more general events, whilst other markets are not so well served. In the case of the larger trade fairs, care must be taken to select the part of the fair best suited to the stand; there is usually an appropriate trade section, but occasionally the only suitable facilities are in a United Kingdom pavilion. The ideal would be for a senior member of the firm to make a personal reconnaissance to select the fair in which to exhibit. Agents can often be relied upon to give sound advice but the principal will be well advised to consider other evidence, such as catalogues of previous fairs, before finally making up his mind.

METHODS OF EXHIBITING

There are several ways in which a firm can take part in an overseas fair. It can organize the stand itself, with or without the help of its local agent or representative; it can take part in a composite stand with other manufacturers; or, if the local representative has decided to have a stand of his own, it can encourage him to make a prominent display of the firm's products.

There are many factors which influence firms in their approach. Most are peculiar to the firm and its products or to the firm's relationship with its local representative. But there are also important general considerations. A crucial one is deciding whether or not to exhibit without the help of a local representative. It has already been stressed that exhibiting at a trade fair should be regarded as part of a sales campaign. Most firms find they need the services of a local representative if the campaign is to be effective and that this is particularly true of the preparatory period before a fair and the follow-up afterwards. Nevertheless, there is no reason why a firm wanting to test a particular market should not have an effective display without local assistance, though it may be necessary to appoint an agent on a temporary basis for the follow-up arrangements.

Cost is another important consideration. Sometimes a full-scale stand cannot be afforded. In cases such as this it may be possible to take part in a composite stand with other United Kingdom firms. There have been several recent examples of successful composite stands. Usually they have been organized by trade associations whose representatives staff the stand. But taking part in a composite display is seldom an adequate substitute for an individual stand. A composite display cannot concentrate attention on the products of one firm and it cannot guarantee prospective buyers the same expert attention.

Another opportunity for reducing the cost of an individual stand occurs when a firm's local representative decides to have a stand on his own behalf. The representative will wish to demonstrate as many of his agency lines as possible, but the principal will be well advised to make sure his own products form a reasonable part of the display. He should also see that his company's name is mentioned in the catalogue. In some cases it may be advisable for the principal to advertise in the catalogue. By taking precautions on these lines the disadvantages of competing with the products of other firms on the same stand can be mitigated to a certain extent.

The notes which follow are mainly concerned with the firm which decides to have a stand of its own and call upon the services of a local agent. But many of the points mentioned apply to the other methods of exhibiting.

RESPONSIBILITY

Opinion varies considerably about the extent to which responsibility for constructing and staffing the stand should be left in the hands of a local agent. A great deal depends, of course, on the type of agent employed and the nature of the agreement with him. Clearly there are important differences between the arrangements usually made for capital goods, where the agent often receives a large commission, and consumer goods, where the agent's commission is often small.

Some firms prefer to take the major responsibility for the stand themselves, whilst others leave the matter almost entirely in the hands of the agent. But whatever the method adopted, care must be taken to retain the enthusiasm of the agent. Unless this is done the effort of exhibiting can be largely wasted. Usually a measure of financial and other assistance is called for if the best results are to be secured.

Contributions towards the cost of participation in the fair is one of the ways in which financial aid can be given. A well-known manufacturer of farming machinery makes the important point that such a contribution is especially called for when:

> 'the trade fair has an international interest, as in Colombo two years ago and in Bagdad this year, and the distributor concerned cannot fairly be expected to bear the entire cost when much of the business which will ensue will go to distributors in other territories.'

In some cases it may be necessary for the principal to bear the full burden of the cost of the stand; for example, when the agent has a small business or receives a small commission. Other measures of assistance which should be considered are mentioned below.

PRE-FAIR ARRANGEMENTS

(a) Estimating Costs

The cost of exhibiting at an overseas trade fair usually embraces expenditure on the stand (space rent, design, construction, and maintenance during the fair); advertising in the fair catalogue and elsewhere; transport of exhibits and display material; travel and hotel bills of staff; and hospitality during the fair. Costs under these heads vary considerably as between one fair and another and the problem of estimating them is not an easy one. Fair organisers supply details of space and catalogue charges; local agents can be asked to provide supplementary data. Alternatively, a member of the firm can be sent to investigate local price conditions.

(b) Stand Design

Some firms find it practical to prefabricate the whole or part of their stands in the United Kingdom. Others prefer the stand to be designed in this country and then have it manufactured locally, under the auspices of the agent. There are also some who prefer to

leave the entire process in the hands of the agent. It is in any case desirable for the task to be entrusted to an experienced designer. Cost, of course, is a major consideration as is also the technical ability of local contractors to provide a suitable stand. But it is important that local tastes and climatic conditions should be considered; particulars of stand designers and contractors can often be obtained from fair organisers.

A well-known producer of steel products says: 'A number of details have to be carefully planned, such as prevention of pilfering, selection of the floor covering where the stand is erected in a sandy area, choice of refreshment for important customers, such as a continual supply of coffee in the case of Bagdad, iced water supply, light, climatic conditions, such as dust storms and heavy rainfalls.'

An engineering firm with recent experience at a number of overseas fairs including Utrecht, Hanover, Brussels, Paris, Milan, Toronto and Chicago, emphasizes the importance of variety in stand design. They write: 'In most cases the design of the stand and the nature of the particular equipment to be constructed is initiated in this country but finalized by our local Associate or Agent in the light of the particular problems or aspects of the use of our equipment in the territory concerned. This is most important as local variations of custom and utilization may cause stands designed in this country to be quite useless in any other one. In our experience.....quite a number of British companies exhibiting abroad suffer from a standardization of their stands which, while hitting the mark in one country, completely fail to do so in another.'

(c) Stocks and Exhibits

Care should be taken to see that the agent is suitably stocked, otherwise it will be difficult to ensure a worthy display and adequate follow-up arrangements after the fair. If special exhibition models are available these can be supplied with advantage; working models always attract attention. Efforts should also be made to exhibit examples of any new lines which are about to be put on the market. Obviously the character of the display will vary as to whether the main appeal is to the specialized buyer or to the general public, but at fairs and exhibitions with a large public admission the stand with an entirely specialized appeal is not likely to attract many visitors. There are few occasions when it does not pay to have something eye-catching on the stand which may induce a trade buyer without previous knowledge of the exhibitor to stop as he passes by and begin to look at the details of the stand. Action, colour and lighting are the obvious ways of catching the eye but a display does not need to be garish in order to be distinctive.

(d) Films

The showing of specially prepared films of products and processes is another way in which displays can be made interesting and attractive. One well-known steel manufacturer suggests that films of this type can sometimes be shown to advantage away from the stand or exhibition site. Their plan is 'for our agent to arrange a suitable room in a good class hotel and issue invitations to the important clients to whom the film would really do some good. This, if accompanied by a cocktail party or some form of refreshment, is a much better idea (on some occasions) than exhibiting the film at the fair itself.' But films demonstrating consumer goods are probably more effective if shown at the fair.

(e) Publicity and Sales Literature

Nearly all experienced exhibitors in overseas trade fairs emphasize the value of providing sales literature in the local language. Translations should be checked to ensure complete accuracy; a poor translation excites ridicule. The literature should be supported by price lists and delivery information. Price lists should be realistic from the point of view of the local buyer; they should be in the local currency and allow for duties, taxes and agents' commissions or mark-ups. The agent should also be briefed so that he can deal with buyers likely to be attracted to the fair from outside his territory.

Attention should also be given to publicity before the fair opens. For example, the local press should be given details about any interesting new product to be shown in the fair and the agent should be encouraged to advertise the forthcoming display in his showrooms. There are, of course, may other ways in which advance publicity can be obtained and the agent should be encouraged to use his ingenuity.

Many firms take considerable pains in persuading prospective customers to visit the stand. This is often done by sending a personal invitation card a few weeks before the opening date to local trade buyers. It is important that the name and address of the manufacturer and the agent should be inserted in the fair catalogue. Consideration should also be given to including advertisements, preferably will illustrations, in the catalogue.

FAIR ARRANGEMENTS

Nearly every firm whose advice was sought in preparing these notes pay tribute to the value of reinforcing the local agent with technically qualified staff during the period of the fair. Not only does this ensure that inquiries from customers are dealt with authoritatively but makes it easier for the stand to be efficiently manned throughout the often long hours of the fair. Efforts should always be made to speak to customers in their own languages. The local agent may not always find it possible to man the stand continuously. A visit by a senior member of the exhibiting firm often proves valuable and stimulating to the local agent. It need last only a day or two but it provides an opportunity of meeting important customers and it encourages a high standard of efficiency in the running of the stand. The success of an exhibit should not be judged simply by the number of orders taken. Many indirect benefits can follow a carefully prepared effort. A well-known firm making motor car equipment, for example, regards participation in overseas fairs as an opportunity for encouraging good public relations.

It has already been recommended that exhibiting at an overseas trade fair should be regarded as part of a sales campaign. An experienced organiser of trade fairs emphasises "the essential need to follow up the effort of the fair with well thought-out delivery arrangements, preferably by having some stocks in the country for immediate delivery if at all possible." Many products have special 'after-sales service' needs which should be considered.

The Pavilions at the Fair

THE biggest of its kind held in this country so far, the Indian Industries Fair contains, within a concentrated area of 74 acres, the products of many Indian industries big and small. It is Asia's biggest yet showwindow which, by its representative character, bids fair to prove an outstanding medium for the establishment of contacts between the consumers, manufacturers and traders, and also to promote interchange of ideas, in the industrial and commercial fields. The Fair is an International Exhibition, with as many as 21 foreign countries displaying their capital goods, machinery and a host of up-to-date industrial products, thereby making it possible for business men to make on-the-spot studies of the design, quality, performance and technique of capital goods manufactured by advanced countries. Among the countries of the free world participating in the Fair in a big way are: U.K., U.S.A., West Germany, Austria, Belgium, Burma, France, Iran, Iraq, Italy, Japan, Netherlands, and Pakistan. Participants from Communist countries are: U.S.S.R., China, Czechoslovakia, East Germany, Hungary, Poland, Rumania and Yugoslavia. This, therefore, provides yet another opportunity for the demonstration of the post Geneva spirit of co-existence in the non-political field. Such international fairs, as President Eisenhower has said in his message, not only provide means of broadening the commercial exchange of goods but also promoting exchange of ideas. "In thus helping us to know one another better," he has rightly said, "such fairs can be a powerful force for peace as well as for prosperity."

In the foreign section, chambers of commerce and, in some other cases Governments, have taken up space and they have been generally distributed country-wise. Where national pavilions have not been projected, individual foreign manufacturers, who have their agents in India, have taken space and have put up their own stalls. The Indian industries section, however, has been planned, to the extent possible, on an industry-wise basis, so that both the general public and those who are interested in the details of each industry, can have a bird's eye-view of our industrial capacity. The public sector, represented by the State-owned enterprises, has been largely located in one pavilion which covers an effective exhibition area of 46,000 square feet. An octagonal pavilion houses the exhibits of industries run by the Government of India under the various ministries—the Production Ministry leading the show because of its dominant share. The Planning Commission displays the progress achieved by the country during the first Plan period and the targets proposed to be achieved during the second Plan period. The other Indian pavilions give pride of place to engineering industry, as being symbolic of the developments that have taken place and are anticipated to take place in the economic field in the country. Oil, rubber, construction and building materials, chemicals, textiles, plantation and sugar industries have also occupied due positions.

An important branch of enterprise—the small-scale and cottage industries—is adequately represented in a special section. The several new boards—All-India Handicrafts Board, All-India Handloom Board, Coir Board and Small-Scale Industries Board, have put themselves prominently on boards. Coir products, carpets, shawls, namdas, wood carvings, metal wares, pottery, brocades, sport goods and a whole range of handicrafts make a picturesque showing.

SALEMANSHIP WITHOUT SALES

In the organised industries section, both Indian and foreign, on-the-spot selling is not allowed, but provision has been made in the buyers' lounges for exhibitors to meet potential buyers for transacting large-scale business.

The exhibits are naturally large and varied as will be found from a peep into the multitude of items in the pavilions and stalls.

THE AMERICAN DISPLAY

This is the first time that the United States Government, with the aid and co-operation of American business and industry, is participating in an international trade fair in India. The U.S. exhibit for which more than 30 of America's noted firms have loaned their products, has been built around the theme "Industry Serves Man", and shows how the industry of the United States of America is devoted to making life easier for mankind. An ultra-modern 100,000 square-foot (2½ acre) pavilion —which is referred to as an "Industrial Wonderland" —houses the U.S. exhibits. Built of brick, steel and reinforced concrete, the American Pavilion will show visitors what nuclear energy can do for man and what industry already has done for Americans.

Lakhs of people will have an opportunity of seeing for the first time in India an exhibit of American industrial progress, with displays ranging from a compact lightweight handloom to television and a mammoth model of an atomic reactor. The U.S. exhibit is divided into three sections: 1. Industry Serves Man——in Electronics; 2. Industry Serves Man ....in Technology; and 3, Industry Serves Man.....in Atomics.

A TASTE OF T.V.

The Electronics section presents real television programmes staged daily from India's first TV studio, illustrating how TV shows are produced in the U.S. to bring information, education and entertainment to an ever-increasing number of people. Photographs and models depicting the growth of the television industry and its many applications in the United States, show how this medium makes available to the people a first-hand description of world events. The telecasting of daily shows is done in a circular, glass-enclosed studio 50 feet in diameter.

GOODS AND GADGETS

The Technology section is designed to illustrate how industry can be made to work for man—what it can produce for man in the way of providing recreational equipment, consumer goods, transportation, power, and communication. This section has so been planned as to be of interest to all fairgoers. For the first time in India can be seen varied exhibits of American technological progress ranging from loom frames to modern kitchens. American manufacturers have provided hand, machine and electric tools, offset printing presses, automatic lubricating systems, materials handling equipment, and home workshops; and a General Motors Bouncing Bearing display which is a sample of the ingenuity and accuracy of American engineering. Of particular interest to India should be the latest U.S. advances in low-cost looms, knitting and sewing machines. The Kelvinator Corporation of Detroit has supplied a complete, modern kitchen such as is found in many American homes. The Ford Motor Company has contributed its Thunderbird, one of the first two American production-line cars to be styled on the lines of the hand-made continental sports cars. The Lionel Corporation of New York City presents a model train, locomotives, wagons and coaches, and accessories—all scale-models of existing pieces of actual equipment

used by the railway systems of America. The Automatic Voting Machine Corporation of Jamestown, New York, has supplied one of its standard Voting Machines as used in most of the Metropolitan centres of the United States. The purpose of the voting machines is to record quickly, completely and without fear of inaccuracy, the wishes of American voters in their elections.

THE ATOMS

The Atomics Section should prove of enormous interest to everyone—for here are shown the latest developments in the harnessing of atomic energy for peaceful uses. Fairgoers see how atomic energy, the new "miracle", really affects mankind through its applications in science, industry, medicine and agriculture. The many peaceful, practical and everyday uses of atomic energy are shown in this "Atoms-for-Peace" exhibit. The big display, is designed primarily to interpret by means of simple understandable devices, symbols and words, the new peaceful uses made possible through the exploitation of nuclear energy. The highlight of this section is a full-size model of a uranium-graphite reactor (an atomic furnace), similar to the one in operation at the National Atomic Energy Laboratory at Oak Ridge, Tennessee, which today produces 85 per cent of the radioisotopes (tracer atoms) used in the U.S. This reactor is the largest radioisotope production unit in the world. The gigantic cube-like structure being exhibited in New Delhi is not radioactive but is a "mock-up" model, 30 feet deep and 30 feet wide. A section of its thick wall has been cut away to permit visitors a view of the interior. Commercial production and use of radioisotopes has progressed to such an extent that radioisotopes produced in the U.S. at Oak Ridge and other nuclear reactor stations now may be shipped to institutions within and outside the U.S. as simply as processed food in a tin can. Samples of the wide variety of special containers used for storage at reactors and for packing and shipping radioisotopes of varying intensity are available for inspection at the U.S. Pavilion.

MISSION TO SHOW KNOW HOW

A six-man U.S. Trade Mission, whose main purpose is to assist India in the development and expansion of two-way trade with the U.S. during the session of the Fair, will have headquarters at the American Pavilion to tell Indian business men of trade opportunities. The Mission will offer counsel to individual firms concerning specific problems of exporting, importing, or arranging licensing or investment agreements with American firms. The team is headed by Mr. Emil E. Schnellbacher, director of the U.S. Commerce Department's Office of Commercial Intelligence and Services. Also on display is a library of U.S. business and trade journals, market and consumer survey reports, and directories of importers and exporters, which will assist Indian business men in learning more about the American market.

"MAIN STREET—U.S.A."

The purposes of American participation in international trade fairs have widened of late and the display in New Delhi will be symbolic of these new purposes. At Milan and later at Paris, the main theme of the U.S. exhibits was "Main Street—U.S.A." showing a cross-section of the American way of life—the labour-saving kitchen, the "do-it-yourself" set of tools, television—being the typical items.

AND "MAIN SHOP CENTRE—U.K."

The British exhibition is true to the shopkeeping tradition—displaying genuine British made articles of proven worth with due regard to the export possibilities of the manufacturers and the import possibilities of the countries in which the exhibition is held. It is, therefore, understandable that engineering and electrical goods should be more in evidence.

The United Kingdom Trade Enquiry Bureau at the Fair has on display a judicious collection of models and photographs depicting a wide range of British industries. Its decorative displays include, among others, six main sections dealing with broadcating, electronics, man-made fibres, mining, railways and steel. Captions will be shown in two languages—English and Hindi. There is an expert staff in attendance to deal with enquiries. In the B.B.C. section, there are two stereoscopic peep shows, each having nine attractive coloured photos which can be viewed stereoscopically and a number of photographs covering B.B.C.'s radio and television services.

"A disappearing gold ball", which can be seen in the electronic section, will attract sight-seers. Five models of up-to-date diesel and electric locomotives as well as a working model railway comprise the railway section, and in the mining section three models of cutting, drilling and driving equipment are on display. Also on show is the British Iron and Steel Federation's "Movietel", a superior film back projector, presenting a number of films covering various aspects of steel processes.

BRITISH ENGINEERING

Machinery of proved performance in almost every field of engineering is seen at one section of the United Kingdom Pavilion. This section does not claim to hold too many surprises, for, in selecting exhibits, the manufacturers have given greater weight to utility than to the glamour of novelty.

William Jacks and Co. are showing heavy-duty earthmoving equipment with no exceptional features. Of great interest to builders will be the "Winget" Rotary Hydraulic Block-making Machine for the purpose of producing building blocks from local soil. These blocks have been used in the construction of the firm's building at the Fair which houses a small show-window and is utilised as visitors' and customers' lounge and office. The Winget Power Barrow is a petrol-driven carrier which is capable of working under pressure for 8 hours on 1¼ gallons of petrol. It is mechanically safe and simple and can be operated by unskilled drivers with virtually no prior instruction. One man and the Winget can do work which three men with the old fashioned hand barrows could do. A forklift truck, manufactured by Messrs. Ransomes Sims and Jefferies of Ipswich, England, is the latest addition to the well-known and highly successful range of Ransomes electric battery operated forklift trucks.

AND MISCELLANEA

Dyes, chemicals and colours obtained by various processes and used in a variety of industries in India are shown by Imperial Chemical Industries, along with a show explaining how dyes and chemicals are available for use at all stages of textile processing and that the sales of these products are backed by free technical services to show the customer how best to make use of what is bought. Sugar manufacturing machinery and models built in the United Kingdom are exhibited by the British Sugar Machinery Manufacturers' Association. The Multiplex Evaporator, a triple-effect model of which is on show, can also be made in single, double or quardruple effect, either in cast iron, aluminium, or stainless steel, so as to suit the particular kind of liquor being concentrated. The well-known accounting machine manufacturers of London, Powers-Samas, who recently established a Service Bureau in Delhi in order to assist the Planning Commission of the Government of India in their work of development of industry and the general uplift of Indian economy under the Five-Year Plan, are demonstrating some of their products. One of the largest exhibits of communications equipment, ever to be sent overseas by a British company, is also installed by the Automatic Telephone and Electric Co. Exhibits range from a demonstration model of a large modern automatic telephone exchange to a new portable low-frequency "Guided Radio" designed primarily for below-ground communication in collieries.

SOVIET SHOW-PIECES

The exhibits in the Soviet Pavilion seek to show that industrial and agricultural progress under the Soviet system has been second to none in the world. The emphasis is on heavy industry. On entering the pavilion, which occupies an area of about 17,000 square feet, what strikes the eye are two big photographs of Prime Minister Nehru taken during his trip to the Soviet Union. It stands as a symbol of the close friendship between the two great nations. A large sculpture of Lenin, founder of the U.S.S.R., stands in the centre of a wall made up of small wooden blocks. The economic and cultural progress of all the 16 Republics of the Union is reflected in photographs and diagrams and the constantly changing slides mounted on 16 pylons.

In the context of the projected Soviet steel plant in India, more than usual interest attaches to the models of entire industrial aggregates and separate plants, particularly the model of the blast furnace for the iron and steel works to be erected at Bhilai in collaboration with the Soviet Government. It also displays models of large and small hydro-electric and thermal power stations, turbo-generators, grain elevators and electric railroad. Passenger cars of the Molotov Motor-car Works are attractive. What is equally impressive is the agricultural hall which displays crops grown in the Soviet Union, oilseeds, cotton and other cash crops. The famous Russian caviar and palekh boxes are also on view.

But, in view of the projected prospecting for mineral oils in India, what is of especial interest is the technique in the Soviet coal and oil industries, geological prospecting and construction.

A screen journal entitled, "Science and Technique in the U.S.S.R.", is shown to acquaint Indian business men with new Soviet techniques. The displays, combined with the Pavilion's decoration and showing of documentaries, will make it possible for the Indian people to become widely acquainted with the economic and cultural progress of the Soviet Union and see its great export possibilities.

On approaching next the Chinese pavilion, what greets the visitor is the typical Chinese building architecture, almost resembling the ancient temples of Malabar. China has an art and culture of its own, and is noted for its silks, satins and textiles, as well as handicrafts such as ivory carvings, jade, carved lacquerwork and cloisonne. While these are admirably displayed in plenty—as they were at the Chinese exhibition held earlier this year in New Delhi—there is also an ambitious attempt to show the progress achieved by the People's Republic in the industrial field. Thus, several heavy industrial and engineering products are also on show. Not all these are obviously available for export but are apparently displayed to disabuse any impression in the minds of those who think that China's industrial progress is not remarkable.

GERMANY

Not less than a hundred firms, including such well-known names as Siemens, Koppers and Krupp-Demag, occupy the West German pavilion. Of particular interest from the Indian angle is the model of the new steel structure which is to be erected at Rourkela by West Germany in co-operation with the Indian Government. German automobile and optical industries are a class by themselves and in the West German pavilion, Zeiss Ikon and Mercedes Benz occupy pride of place. The general visitors will, however, be more impressed by the pictures and books displayed in the Information Centre which gives a fine bird's eye-view of the Federal Republic. The West German pavilion occupies an area of 60,000 square feet. The official German participation in the Indian Industries Fair takes due cognizance of the fact that the Indian market is interested in capital goods much more than in consumer goods. Given this framework, it is mainly big and very big German firms that are sharing in a joint exhibition of capital goods which could help to expand Indian industrial capacity and also to raise the standard of living through the increased efficiency of industry and better use of the country's mineral and natural resources. It may be mentioned here in particular that even several industrial firms of Berlin, the old Capital of Germany, now divided by the occupying powers, have come to Delhi. A typical case is BORSIG, one of the firms represented in the pavilion.

"The Man of Glass" in the East German pavilion is perhaps the most popular attraction. Made of "cellon", it clearly shows the intricate construction of the human body and the functions of the internal organs.

The prosperity of a nation is to be assessed not by its vastness or population but by the enterprise of its people to exploit its natural resources. In this respect Rumania's example is commendable. The exhibits at the Rumanian pavilion prove the efficiency of its oil industry. The towering model of an oil refinery and the wide range of petroleum products exhibited evoke everyone's admiration of the spirit of enterprise of this small European country.

CZECH ENGINEERING

The cross-ribbed vault which spans the Czechoslovakian pavilion is itself a fine feat of Czechoslovakian engineering. That machine-building is the industrial branch which has undergone the most rapid development in Czechoslovakia under socialist construction, is shown by the nature of the exhibits. Machine-building now stands at 350 per cent of the 1948 level. The lengthy pavilion houses an impressive array of products ranging from heavy machinery to small articles of glass. The Tatra and Skoda automobiles also attract attention. The pattern of mechanisation is based on the assumption that engineering must equip all the other industrial and agricultural branches to increase productivity.

Moving on to the pavilion of the Polish Chamber of Foreign Trade, what the visitor finds is a big assortment of machinery—both agricultural and industrial, but he will be tempted to have a special look at the products of Poland's foodstuffs industry, canned fish and meat, which are favourite items of export. More or less the same types of goods are to be found in the Austrian pavilion. A number of semi-capital goods are also on view.

Hungary presents a variety of modern household gadgets, electric irons, cooking plants, crucible furnaces, padlocks and cylinder locks. Hungarian porcelain, ceramic and folk art objects are pleasing; so also the variety of spirits and wines. A fully equipped all-aluminium yacht, of 70 square meter sail area, is really attractive.

Yugoslavia's pavilion has a novel look in that it is constructed with seamless tubes and pipes. Modern Yugoslavia is as enterprising as present-day Rumania, and there is a wonderful range of agricultural implements displayed.

INDIAN INDUSTRY PROCLAIMS ITSELF

Indian industries do not lag behind either in the quality or the range of products displayed, even though the country has not yet reached the stage of technological development of the leading foreign countries. The new Indian industries, particularly in the engineering group, have come in a strikingly big way. It will be seen that in the engineering group, progress, specially from the point of view of diversification of production, is truly remarkable in that manufacturing capacity has been established in numerous items such as locomotives, automobiles, electrical machinery, diesel engines, sewing machines, bicycles, power-driven pumps, ball-bearings, machine tools, etc.

The huge Tata Pavilion gives a bird's eye-view of the Tata industrial interests in India, embracing, among others, iron and steel, locomotives, electric power, chemicals etc. Aided by a flow chart, visitors get a glimpse of the mighty job of steel making at Jamshedpur. There is a graphic explanation of the Rs. 60-crore expansion programme and the proposed two-million ton steel project. Equally attractive is the Birla Industries Pavilion where the various industries in the Birla group, particularly the Hindustan Motors and Texmaco attract particular attention. Visitors also find that the Birla Jute Mills Ltd., at Shyamganj is the first jute mill to be established under Indian management. There is also a fine model of one of the 38 hydraulic dam-sluice gates manufactured in the Texmaco works and erected at the site of the Rupar Range, Bhakra Nangal scheme, in the Punjab.

The exhibits in the pavilion of the Indian Jute Mills Association gives a graphic display of the process of production of jute goods from the jute plant to the finished article.

The most important attraction of the Philips Pavilion is the television transmission and equipment from where actual T.V. broadcasts can be seen on the sets placed in the Pavilion for the purpose. A large theatre-size screen has been put up in a special auditorium which can accommodate 100 persons.

Some of the finest earth-moving equipment, including the power excavators employed at Tungabhadra and Trombay Island, are on view at the pavilion of Blackwood and Hodge. The growth of the Indian cotton mill industry and its contribution to national prosperity is vivdily illustrated by maps, charts and photographs in the pavilion of the Bombay Millowners' Association. Streams of visitors, mostly women, are likely to crowd the attractive pavilion of the International Wool Secretariat where, twice daily, a fashion show will be presented, models demonstrating how wool fabrics of different manufactures and textures will actually look when made-up and worn. That India is making headway in the manufacture of high standard cellulose will be evident to any visitor who has a look at the rayon fabrics displayed by Travancore Rayons. How scientific packaging provides a vital link in bringing the products of agriculture and industry to the market, to the shop and to the consumer, is elucidated by the Metal Box Company. The vehicles produced by the Premier Automobiles, Hindustan Motors, Standard Motors and Ashok Leyland make the spectator feel proud of the progress being made by India's comparatively nascent motor car industry. Numerous types of ropes, from sisal rope to thick cord, are on view at the pavilion of Macneill and Barry, who also show a coloured film illustrating the activities of the steamer companies they manage. A singularly attractive showpiece at Bird and Company's paper section is a gigantic scroll of "paper" mounted against the very bamboo from which Titaghur Paper is made. The visitor will be equally attracted by the All-India Typewriter produced by Godrej.

The Federation of Indian Chambers of Commerce and Industry, the organisers of the fair, have a pavilion of their own intended to serve as an enquiry office and a rendezvous of buyers and sellers. The ante-chamber provides space for such discussions. The Federation pavilion also contains informative charts showing India's foreign trade, its composition and direction, national income, index of industrial production etc.

The story of oil is graphically told in seven main sections of the Burmah-Shell pavilion with the help of photographs and models showing the importance of oil to India, how the demand is met and how petroleum products are distributed throughout the country. There is also an intricate model of the 2-million ton Burmah-Shell Refinery. Brightly lit is the 100-foot long neon sign: "In India's Life and Part of It". Because of the widespread public interest in oil prospecting in India, the Assam Oil Company, in its Pavilion, appropriately displays a scale working model of a complete deep-drilling outfit, under a real derrick and alongside a mass of other equipment used in the petroleum industry.

The stalls and pavilions are so numerous that space cannot be found, in this brief round-up, to make noteworthy comments which they richly deserve. Martin Burn, Bird and Heilgers, Alembic Chemicals, Thapar, Modi, National Rayons, "Wool Fair" of the I.W.S., A.C.C., Killicks, and the B.I.C. are prominent, and are worth a visit. The story of the vast co-operative effort represented by Lever Brothers and their place in the national economy is told through an impressive series of photographs, a brightly lit map of India and an interesting film exhibited at short intervals. The visitor is irresistibly attracted to the illuminated glass cases illustrating the story of the soap from the gathering of oilseeds to the sale of the finished product in the bazaar.

Stepping out of the private sector and entering the public sector, the visitor finds himself in a majestic, octagonal pavilion built by the Ministry of Works and Housing. Within this permanent building covering 46,000 square feet, there is a representative group of State enterprises, such as aircraft, shipyard, telephone, steel, dams and fertilisers. The engineering feats at Hirakud and Bhakra Nangal are explained by fascinating replicas in miniature. Lest the vital labour force in the country be forgotten, the Labour Ministry has put up some exquisite charts indicating the progress in the fields of National Health Insurance and the National Employment Insurance. There is also interesting literature about the industrial relations machinery.

A round-up of the fair gives a comprehensive idea of the industrial development of India—the progress achieved so far and the gaps to be filled to reach the stage attained by advanced countries of the West. It also gives a better perspective of the essentially complementary and supplementary nature of the industries in both the private and the public sectors and underlines the need for their continued co-existence for the future prosperity of the nation.

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Management in Industry

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Management for the Second Plan

WHAT is India's managerial problem at the beginning of the second Five-Year Plan? If, indeed, we are living in the Age of the Managerial Revolution—and there is a sense in which it is true that we are—surely one of the major issues of the Plan should concern the quality and quantity of the men who are to carry it out. Paradoxically, this is an issue in which there has been no planning of any kind. It is assumed in the public sector that the administrative services will be able to man and manage the new factories which are being spaciously set forth. It is assumed in the private sector that we can buy talent both at home and abroad. The possibility that insufficient men of talent exist at home and that the rewards offered to foreigners, with existing levels of personal taxation, might not be sufficient to induce men of the requisite calibre to enter the lists is often ignored. This is the hardest of all India's 'gaps'. The dreaded gap in foreign exchange can be broken by some changes in foreign and domestic policy. The problem of management may well be more arduous. We have not even defined it precisely. What in fact is our problem in terms of quality? What are the specifications of the men we require? What again is the problem in terms of quantity? No one seems to know. "The Eastern Economist" has, therefore, judged that the subject of training for management of Indian industry is an appropriate subject for the current Blue Supplement. It is hoped that this meagre effort will at least throw some light on a challenge which has received nothing like the attention that it deserves.

The character of current managerial needs must be read against the particular demands of India's second Five-Year Plan. By and large, there is no question of new processes. In other words, we are operating not at the first stage of an industrial revolution but at the second, where processes, already discovered elsewhere, are to be applied on a wider scale. This suggests that it is not the inventive 'entrepreneur' that is required; it is the good 'administrator', that is, the man who can get on with a job which has already been fairly precisely defined. Secondly, at least for the next five years, order books are likely to be full. Salesmanship, with new money cheerfully abundant, is not likely to be the searching problem it has been in many periods of Indian economic history. Thus Indian management at the present time, while it certainly has a challenge in the range and complexity of the problems of production, has not the all-embracing challenge of the nineteenth century entrepreneur in Western Europe or the twentieth-century salesman in the United States. Some small element of entrepreneurship will be required for the new small firm. There is room, too, at all times for enterprise and initiative in the personal or family business. But these are not necessary adjuncts to India's Plans. Similarly, while there is room for high-pressure and imaginative salesmanship, that will not be necessary for the greater portion of the goods envisaged in the Plan which will be good sellers, even if every one of them cannot be a best-seller. The second Five-Year Plan in most commodities is likely to be faced with shortages. In the second stage of our industrial revolution production—not consumption or sales—will be our major job. What we produce will nearly all be easily sold.

In the pages that follow this has been recognised by analysing with as much detail as possible the character of training that is required to develop the production managers required. The problem, limited as it is, is still by any standards a difficult one. It is argued, however, that if it is treated as war measure—as was the training of officers in war time—it is by no means

insoluble. There are periods in the lives of Western industrialised nations when training for production has been carried with an urgency equal to what is now demanded in India. In the USSR and some totalitarian countries the problems have been solved with even greater speed.

What is required at the present time is not so much the creation of numerous new institutions as the utilisation of institutions both abroad and in the country of which very insufficient use is now being made. There is, indeed, as will be indicated, room for new institutions such as an Industrial Economics Research Centre and an Industrial Institute, perhaps similar in objectives to the Mellon Institute at Pittsburg in the United States. These, however, are the luxuries of a managerial training programme. The immediate necessities are less dramatic and less exacting; they must come first. This is not a case where we can do without bread and eat cake. We need a vastly enhanced plan for middle management. This is not the same thing as the development of new research institutions. They can, of course, go together. But in order of priorities there should be no mistake as to which come first. We need men to do already defined jobs more than we need men with new, dramatic and original ideas. This is not a plea for standardisation in management. There is room for the high class University product tailor-made at Oxford, Cambridge, Princeton, Harvard, Yale, or maybe even Moscow. But for the short period emphasis should not be so much on top management as on the middle sectors. Indian top management needs to be underpinned far more than it needs to be duplicated. Our top managers can cover twice or thrice their present ground if the base of their support is widened. Something will be found in the following pages of how this can be done.

Management as a Career

TRAINING for business management is a theme which is being discussed with a growing sense of importance and urgency in the United States and the United Kingdom, despite the fact that the United States at least has had a start of more than half a century in training managers for an expanding economy. In the early years of the growth of free enterprise, the would-be managers were generally hard-boiled practical men who worked their way up from small beginnings. They were entrepreneurs in the sense in which a great economist like Schumpeter conceived them. They were innovators in a real sense who were anticipating wants, creating new wants and constantly planning and adapting their processes of production and salesmanship for the future as they saw it. Such men were not trained in any special academic discipline of management; their service in particular fields and keen powers of observation of social phenomena trained them for the particular roles for which they became justly famous. But it is a significant thing that even in the U.S.A., where the pioneering spirit was shown at its best, there was this emphasis on training at an early stage, since it was felt even at the beginning of this century that the growing need for managers at various levels could not be left to the chance opportunities offered to the right men at the right time.

Thus the old conception, that you throw people into the water and let them swim, no longer fits the present age even in the countries which have believed in a merciless struggle for the survival of the fittest. In India, however, this is still the general principle which prevails in the rise of managers. Management of business and industry is still held within certain families or communities. The swimming metaphor may, perhaps, be extended even here; it is possible to say that a majority of boys in a fishing community will more easily take like ducks to water than boys from any other social groups. But such conceptions are getting outmoded in an age in which even the intrepid entrepreneur of the 19th century may stumble on the numerous State regulations or become bankrupt if he does not keep pace with scientific advances and political conditions or cannot accord to labour the treatment which is in tune with the time-spirit. A systematized body of knowledge on management problems, based on the varied experience of business men under different conditions, has now grown up. The study of this knowledge can help partly to avoid the uncertainties in the supply of top level managers which will be inevitable if the whole thing were left to chance and partly to avoid the waste of human and other resources involved in the experiments that fail.

In India at the present time, the attitude to this problem has largely been one of indifference and some beginnings are being made only now. Financial control and high-level decisions have been vested in managing agents or proprietors of businesses who have either belonged to the main Indian business communities—like Parsees, Marwaris and Gujerathis—or are foreigners. Technical advisers or supervisors have been recruited both in India and abroad according to the nature of each business, but no tradition of industrial administration or engineering has been built up. Salesmanship has never been the strong point of Indian business for the simple reason that except for routine advertising, little attention has been bestowed on the subject. Designing, research, personnel management and such other matters of intimate interest in private industry in free enterprise have not been pursued with any enthusiasm, or notable success. This is a situation which cannot be regarded without concern at this phase of our development.

The problem is not in the least simplified by the philosophy of the mixed economy, since business management, industrial administration and engineering direction are all as inseparable from the public, as from the private, sector. The system of secretaries and treasurers visualised in the new Company Law would largely depend on the growth of such corporate bodies of career managers, on an expansion of the systems of training for young men who would otherwise have few opportunities of proving their capacity for managing business. Indian industry is in that transitional phase in which its management must be entrusted more and more to those who acquire the technical competence for managing.

It is inevitable that we should now turn more to professionals of a different kind from the one to which we have grown used in the formative phases of our industrial and business development. Management may not be a profession with strict codes to regulate admission and practical conduct like medicine, law or engineering. Opportunities will continue to exist for those who can sit in the market-place and learn to practise the art of management, besides grasping its science. This is not a stage in which one can rely exclusively on an academic discipline for the simple reason that the universities have themselves suffered so much in standards that they have affected even their traditional supplies of personnel to the administration and the existing professions. Room must exist for those who can raise themselves by their own efforts for such careers, though they are destined to dwindle in numbers with the increasing complexity of modern

industry and business. An expanding training scheme must seek to fill this gap.

Such training may not immediately meet the need for the men needed at the top levels in various spheres who must be sought out from all the fields of activity. The immediate need is not for the innovator type of manager and mere training may not produce Fords or Rockefellers. In the matter of innovation, we can let India draw upon the fruits of the labours of other path-finders elsewhere. The problems here are essentially those of organisation and administration; a co-ordination of activities and teamwork are called for to succeed in these tasks. These are best learnt at the junior and intermediate levels of administration and if from this school of experience there can later on emerge, even in small numbers, men fitted for higher responsibilities, the future may be better provided for.

The education imparted in the U.S.A. has not been matched anywhere in the world. In 1951 there were 380,000 students at the university level who were completing courses in management. (In the U.K. the corresponding figure was only just over a thousand). Not all of them would become executive presidents of corporations but some of them would qualify themselves by their practical successes in a decade or two, just as lawyers or army cadets become chief justices or generals. Training on a vast scale has built up a body of experience in management training in the U.S.A. on which others can draw on with profit, adapting it to their own needs. India has also to make a beginning in this direction. The ultimate test of management is, as one recent writer has put it, business performance; but that need not prevent the facilities which can be provided for such efficient performance through intensive training in the science and practice of management.

Milieu for Managers

THE sudden spurt in economic development in India in the last few years has created a demand for competent managers and administrators which has far exceeded the available supply. The only training ground hitherto has been the civil services which themselves have stood in need of being strengthened to make up for the loss of British personnel and to meet additional demands. Recruitments have even been made outside the usual channels and are further contemplated; this has had the effect—in a country where government service commands a social premium—of affecting the numbers of more competent men available for an even more rapid increase in the demand from the private sector. The only advantage that the private sector now possesses is that it can choose its men on the basis of their performance instead of the rigid qualifications, academic or otherwise, set down by government regulations for recruitment to its services. There have been occasional complaints from business men that the Government has been poaching in their domain. In any case, the question has been often posed whether there is anything inherent in the country which makes it incapable of producing the type of manager required for future needs.

A common complaint is that in India there is a general lack of the spirit of enterprise which makes for success in competitive business. It is often cited as an example that even leading business men show a disinclination to take a long-term view in their investments and prefer those lines which yield results in the short-term. There may be some truth in this statement but so long as there were opportunities enough to make money in such enterprises, the tendency to devote attention to them cannot be blamed. If, at the same time, these business men could have found competent personnel to whom they could delegate their established businesses in order to turn to new and more complex fields, they could have enhanced their reputation for free enterprise. They have not done so except in a few cases and some social factors have also operated, in addition to political factors, to restrain them from taking a wider view. India has had large trading communities which have not been slow to take advantage of available opportunities to buy cheap and sell high or to lend money at high rates on poor security in satisfying the passion to make money and they have been ready to take serious risks in trading and lending operations. Some of these communities have even migrated abroad to find opportunities in Africa, and South-East Asia where they fulfil an important role in the domestic economy of the countries of their domicile or temporary settlement.

Nor, on the other hand, need there be any scarcity in the supply of administrators, so long as the future is well planned. The public services alone have attracted the men fitted for the role and have provided them scope for ascent to the highest ranks—an opportunity which was often lacking in private business. What has been lacking, however, is the essential alliance between the entrepreneur and the professional administrator, who seem to have shunned each other until recently. The changing conditions of business operations have now convinced business men of the necessity to associate legal, economic and scientific experts with their expanding business operations; and in this they have been guided largely by the example set by foreign business. The foreign business houses have also helped to provide some trained executives to Indian industry. But it is a common defect of both foreign and Indian business that they restricted until recently the opportunities for the professionals or career administrators and employed them only for routine operations. The result has been to create the impression that the highest positions are not normally open to those who can display special personal qualities and skill in management of men and materials.

These attitudes will have to undergo a quick change. The expanding public sector may now offer more opportunities for the aspiring career manager and where the monetary rewards are inadequate, the sense of power may prove sufficient compensation provided, of course, the power is allowed to be exercised without the irksome restrictions which the use of public funds often involves. These men have to be trained for the higher responsibilities and so far only vague proposals have been made for the purpose. In the final analysis, no school can ever succeed in turning out the skilled administrators or gifted managers who can evoke loyalty and retain it. That comes with experience. Also, besides training and the power, there will have to be other incentives which are not many at the present time. Among the crude ideas to be resisted, there is the theory that a ceiling on incomes in the private sector would automatically result in attracting better talent to the public sector.

Thus new obstacles may be created in the place of the old ones which were based mainly on certain social attitudes. It is necessary to remember, however, that there are no inherent difficulties in the Indian atmosphere. It is possible that apart from training schemes, the new opportunities that are being created will turn out men who are needed for much smaller jobs. Co-operative enterprises under the new auspices, which avoid some of the earlier problems of financing because of the assistance from the State schemes, offer such a suitable field. Because of the decentralisation in such cases, the qualities of decision-making, co-ordination of

production, purchase and marketing activities and the capacity to deal tactfully with groups of men and get the best out of them—can all be instilled.

A fundamental change in outlook of top managements is also necessary if the existing talents at the junior levels should, in time, flower into managerial ability. In the private sector, the universal tendency has been for concentration of powers of decision at the top without a sense of participation at lower levels which later leads to frustration and incapacity to make judgments except in situations that are clear-cut. In the public sector, there is the danger of too much rule-of-thumb and conventions of seniority similarly frustrating the more capable. If at least the available talent is conserved it would go a long way towards safeguarding the future.

Economic science has classed services with goods and even business men have often treated professional services as things to be bought like the commodities in which they have speculated, without further thought about the continuity of supplies. But while these business men would not dare to overlook the supply side of the materials which they need for trade or manufacture, they have done little to ensure the supply of the special type of services which they would require in growing volume. Even the Government, which has just begun to realise that more and more engineers and experts are necessary for the success of its development schemes in which it has direct stake, has been slow to realise that the old administrative apparatus is being strained to the utmost already and that both in numbers and in the quality of its training it is not equal to the new types of requirements. The reason for this indifference must be traced to the old belief that in a country which has long had a problem of unemployment among university men, supplies will not run dry.

Fair Deal to Foreign Personnel

IT has now become axiomatic that India needs foreign specialists and technical personnel in very large numbers to implement future industrial plans and all the agreements for collaboration with foreign firms, whether in the public sector or by private companies, have provided for the supply of technical services of foreign experts. The inflow of foreign capital is not always the desideratum in such cases of collaboration, though in the larger projects like the oil refineries (which is not a normal case of collaboration but an invitation to foreign enterprise) and the steel projects, capital is an equally important consideration In machine-tools, shipbuilding, telephones, coach-building and such other matters, technical advice in construction, operation and training has been the paramount consideration; more such instances are likely in oil exploration and coal-mining. The latest among such agreements is the one with the Associated Electrical Industries, Ltd. which provides for the supply of specialist staff services; and the private sector's expansion, under the second Five-Year Plan, must also be similarly facilitated by enabling it to find the personnel by arrangement with foreign firms as in the Tata-Kaiser agreement for steel expansion.

Indian engineers in various fields, though growing in numbers, will be needed at all levels to meet expanding needs in existing lines of activity. Even the supply of Indian mining engineers is expected to fall short of the needs of the next five years. The problem of technical personnel is expected to prove a serious limiting factor in development; and finding executives will not prove less easy and even if the supply of available Indian talent can match the normally growing demands, it would be satisfactory enough. All these considerations have made the old problem of Indianization of personnel in foreign firms less relevant in the present context and there has been some recognition of this in official quarters recently in the abandonment of the severer methods which appear to have been considered at one time.

The corollary of such recognition is that conditions have to be established which would attract both the technical and non-technical types of managers from abroad and once attracted, help to retain them to meet our needs. In foreign-controlled firms, there are today about 1585 Indians in technical posts carrying a salary of Rs. 1,000 and above against 2883 non-Indians; five years ago the members were 513 and 2980 respectively. Almost the entire new employment in this category has gone to Indians and the reason may be that it is often more economical to employ Indians wherever they can prove satisfactory. But such economy is even more demanded in the Indian firms, especially in executive posts, and since there has been no special supply of trained executives to meet all the demand, one may guess that foreign business houses have attracted the better type of talent and to that extent affected Indian business. This trend may, however, have less to do with the policy of Indianization than the other disincentives now in operation for non-Indians.

The main consideration to be borne in mind in this matter is that while it is legitimate to expect foreign collaboration as a method of training Indian technicians and executives, collaboration cannot be viewed as an opportunity for throwing open avenues for the largest volume of employment for Indians to the exclusion of all foreign personnel. To foreign business men it appears not only legitimate but essential that certain top positions involving responsibility should belong to their own nationals or to others whom they trust. This is not dissimilar to the attitude of even leading Indian business men who seek to place their own kinsmen in positions of trust and responsibility. Any compulsion by law or otherwise, applied on the basis of cases where foreign personnel are not strictly needed, creates an unfavourable climate, which affects the supply of experts and competent executives even where they are needed and it is difficult to isolate the one from the other.

The conditions at the present time in India are not indeed conducive to the inflow and stay of foreign personnel seeking a career. There is a world-wide expansion of economic activity which can absorb the superior technicians nearer the countries of their origin and possibly in more congenial social or climatic conditions. In India, particularly in the Calcutta region, feelings against foreigners have often been worked up in an undesirable manner. Secondly, the scales of remuneration are not likely to attract foreigners except at the top brackets because their standard of life and amenities is higher; there is no real competition with Indians at the intermediate levels. Thirdly, the rates of Indian taxation are such as to deter those who have alternative opportunities in other countries like Ceylon or Pakistan to prefer the latter.

If the net income retained in the pocket of an average foreign executive or technician should at least be Rs. 2,000 to Rs. 2,500 per month to give him the standard of life he expects as a minimum, the total income before taxation should be between Rs. 3,000 and Rs. 4,000. Even this retained income level is not indeed one that would induce the best man to prefer India; it has been proved that even the technicians of an egalitarian country like the Soviet Union would need tax-free incomes of Rs. 4,000 and above. Monetary incentives would be more essential in the case of men from the free countries of the West where the system of rewards regulates the employment of talent, and they have a free market in which to compete. For specialist Consultants their rewards must be higher and an income of Rs. 4,000 per month in India, net of tax, will not be secured unless the nominal income is nearly double this figure. This is not, therefore, a question which can be settled by reference to Indian proposals for imposing ceilings on income; it is essentially a question of world supply and demand of the type of specialists that we need and the fact that private foreign investment will neither flow in nor be retained in this country unless a fair proportion of the higher positions is allowed to be manned by foreign personnel.

In the light of these factors, the last Indian budget may be considered to have worsened the position, because it has affected the groups above Rs. 2,000 p.m. more severely than other sections. The incidence of these proposals is heavy even on Indian civil servants and business executives but their fate is inextricably bound up with the politics and policies of the country. They have to prepare for the worse that has been proposed in the shape of ceilings on income, whether such ceilings leave enough inducements of personal reward for work and achievement or not. But in the case of non-Indians who seek their highest market rates, it is a serious deterrent. And if other discomforts are added, like restrictions on the remittance of provident or pension funds, it is not surprising that the Indian climate is regarded as particularly doubtful by foreign investors. The Plan leaves only marginal scope for foreign private investment, but even this may be jeopardised.

Technical Manpower Shortage

CONSIDERING the fact that it is from basic science that all new industrial developments are nourished, the importance of scientific manpower for the implementation of the second Plan cannot be too strongly emphasized. And yet it is on this front—on the technical manpower front—that shortages seem very likely to be felt in the coming years. Perhaps the biggest bottleneck will be encountered in the field of engineers. It has been pointed out in the first Plan and in the periodical reports of the employment exchanges that we are already in short supply of several categories of technical personnel. If this is true, it is quite certain that, unless adequate steps are taken in a spirit of urgency, it will be impossible for us to meet the greatly enhanced requirements for the second Plan. Officially it has been admitted that shortages exist, to a serious extent, in the category of engineers, overseers, draughtsmen, skilled operators, mechanics and tool makers. Some of the training schemes, which have been tried at Bhakra-Nangal and Gangapur, have been drawn up only with regard to meeting shortages of personnel of an intermediate calibre and on a strictly emergency basis to avoid impeding progress of development projects. Obviously, a much more ambitious, long-term programme of training is essential for meeting the needs of technical personnel of a high calibre. Even this will prove only a palliative, a transient remedy.

Even such an industrially advanced country as the United States has not been free from dearth of qualified young engineers. In 1951, the United States was actually in the midst of a disturbing manpower crisis arising from this shortage. With the immediate absorption of every graduate from engineering colleges, employers vainly filled advertising columns with pleas for more engineers. "Talent scouts", representing over 4,000 industrial enterprises, as well as Government agencies, combed and recombed engineering campuses from coast to coast. It was a strange spectacle of the Government frantically bidding against industry. The industries scrambling hardest for engineers were aircraft, chemical, electric, automotive, oil and mechanical equipment makers.

These are the very industries in which India is at present backward and which will have to be considerably expanded during the second Plan period.

It is time we appreciated the fact that the detrimental effect of a shortage of engineers on industrial progress is worse than the shortages of steel, or chromium or tungsten that are only the base metals of engineering. It is interesting to see statistics relating to U.S. in the engineering field to have an idea of its importance. Already there are 450,000 employed in all categories, with a deficit of 60,000 engineers. Merely to keep its technical staff stable, U.S. industry needs a minimum of 30,000 new engineers a year. The American press has castigated the Administration and industry for their wrong policies, wrong thinking, blunders, national obtuseness and indifference in the earlier years when various scientific bodies were constantly warning the nation against the growing shortage of technical personnel. They pointed out that, while in the United States, industrial research and development have increased nearly 500 per cent in ten years, and government research even more, the number of U.S. scientists and engineers had barely doubled. Russia was estimated to be training young scientists and technicians at the rate of about 100,000 a year.

More or less a similar phenomenon, even though to a less degree, has been witnessed in the U.K. in recent years. The lesson of all this is that, in our own planning for prosperity, our planners should take adequate measures to nurture scientific and technical talent, so vital to the growth and preservation of the nation. Lakhs of rupees may be poured into steel, ordnance factories, railway workshops, and power projects, but unless these are animated by a rising stream of basic scientific and technical brains, they will come to nothing.

The issues that the foregoing facts raise are: What is our strength of qualified engineers? What are the additional requirements needed in terms of the second Plan targets? Wherefrom are they to be enlisted? Are there sufficient facilities available for training the requisite number of engineers from year to year? The table on the next page, based on the estimates made by the Scientific Manpower Committee, in its report, will be found revealing.

To illustrate the figures, let us take the case of the sugar industry. The 1955-56 target for the sugar industry is 1.4 million tons, while the 1960-61 target is 2.1 million tons, which means an increase of 700,000 tons. On the basis of that, for every 10,000 tons per year, there will be need for 2.5 chemical technologists, 2.5 mechanical engineers, 2.5 junior chemists and 2.5 junior engineers; the total additional requirements for each category come to 175, or 700 technical personnel for the sugar industry alone. Calculated on the same basis, the number of existing technical personnel works out to 1,400. Quite apart from the question whether the targets fixed for various industries are adequate or not, even the problem of finding the number of engineers to man the industry in terms of the Plan-Frame is bound to prove a headache under existing dearth of facilities.

Cement provides another relevant case. Here again, based on the Scientific Manpower Committee, it is found that, while the present strength of engineers and geologists is about 1,000, the additional personnel that will be needed in terms of the targeted 10 million tons in the second Plan (as against the present target of 4.6 million tons) will be around 1,140. Does this

country possess the facilities for the training of even this modest number? In the case of cotton mill industry, as is well known, the Plan-framers have been content to fix a ridiculously low figure of 5,500 million yards, as against the first Plan target of 5,000 million yards. Even for such a small production target, however, there is need for 800 additional textile technologists, chemists and engineers. Wherefrom are they to be created? Such instances can be multiplied. Suffice it to say that at present the facilities and avenues for training engineers in this country are woefully inadequate.

ESTIMATES OF ADDITIONAL TECHNICAL PERSONNEL FOR THE SECOND PLAN

Industry	Present Production	Rise During Second Plan	Type of Personnel Required	Present Number Employed	Additional Number Required
Sugar ..	1.4 m. tons	0.7	Chemical technologists ..	350	175
			Mechanical Engineers ..	350	175
			Junior Chemists or Operators ..	350	175
			Junior Engineers or Operators ..	350	175
Vegetable Oils ..	1.5 m. tons	0.5	Chemists ..	4995	1665
			Engineers ..	1005	335
Soap ..	28,000 tons	12	Chemists ..	67	28
			Engineers ..	22	10
Cotton Textiles ..	5000 m. yds.	500	Textile Technologists ..	4000	400
			Textile Chemists ..	2000	200
			Engineers ..	2000	200
Paper ..	140,000 tons	60	Chemists ..	280	120
			Engineers ..	224	96
Cement ..	4.6 m. tons	5.4	Engineers ..	690	810
			Chemists ..	276	324
			Geologists ..	46	54
Caustic Soda ..	33,000 tons	67	Chemists ..	182	369
			Engineers ..	89	181
Electricity ..	3.5 m. kw.	2.5	Engineers ..	1985	1418
			Others ..	126	90

Universities and Business Careers

By PROF. M. V. MATHUR
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TRAINING for leadership in the professions is one of the central aims of modern university education. Universities have for long maintained institutions for training young men and women in well-established professions like Law, Medicine, and Engineering. The technological and social changes in modern society, however, bring about the rise of new professions. It is, therefore, incumbent upon universities to review their curricula periodically and, whenever justified, to provide for suitable training in the new professions.

Business administration has been described as "one of the oldest of the arts and the youngest of the professions." University education for business administration has, therefore, been of comparatively recent growth. In fact, it has developed mainly in the present century.

While a number of Indian Universities have instituted Faculties of Commerce and have provided undergraduate and post-graduate courses in 'commerce', not much has yet been done in the field of professional education for Business Administration. The Radhakrishnan Commission on University Education, however, did recognize Business Administration as one of the 'New Professions' and pleaded for its due recognition in Indian Universities. Recently some universities have made provision for its teaching as a part of their post-graduate courses in commerce. Also, under a scheme sanctioned by the All India Council for Technical Education, post-graduate Diploma courses in Business Management and Industrial Management have been started at several centres. At present, however, India has no full-fledged post-graduate school of Business Administration.

The American Universities have done a great deal in the field of education for Business Administration. With the close co-operation of American business and industry, the American universities have been able to frame courses in Business Administration, which while maintaining the liberal intellectual traditions of a true university, provide for the development of essential qualities which go to make a successful business man. They believe that while there may be a few persons who are 'born' administrators, there are a host of others who can be 'made' better administrators through a well-planned educational process. The programme developed at the Graduate School of Business Administration of Harvard University has attracted the greatest attention not only in U.S.A., but in Great Britain and in other countries also. One of the distinguishing features of the Harvard Business School is the use of the case method for instruction. In many of its courses there are no lectures and few formal readings but a great deal of 'discussion' among the teacher and the taught. This 'discussion' is based on cases which describe actual business situations in a most realistic and comprehensive manner. These cases are carefully written by a team of experienced teachers who spend considerable time in business or governmental institutions from where the factual material for the cases is collected. In the class room, the teacher acts as a discussion leader and guides the students in recognising the problems thrown up by each case, in noting alternative methods of dealing with the situation, and in recognising the merits and drawbacks of each of these alternative methods. He, however, encourages the students to draw their own conclusions and suggest a suitable course of action to meet the situation in each case. The students are thus placed in a position to take independent decisions. This educational process, therefore, helps in the development of faculties of analysis, decision making, and policy formulation in the budding business executive.

India certainly requires a large number of trained personnel to administer its developmental programmes both in the private and public sectors. In fact, the dearth of such persons is one of the important bottlenecks in successful implementation of our plans.

The Indian universities should, therefore, join hands with the Industry and Government in meeting this need.

In running a successful business enterprise—be it private or governmental—we may require the help of Engineers, Technologists, Scientists, Lawyers, Accountants and others. Besides their 'professional' duties they perform certain administrative functions also. It is therefore desirable that each one of them is given an opportunity to learn the elements of organisation and management and the social implications of his role as administrator. On the other hand, for those belonging primarily to the Administrative class in such enterprises, education should be so planned as to develop their faculties in analysis of problems, the making of decisions and the formulation of policies. Obviously a good liberal education should form the bedrock of any further training in business administration. It would, therefore, be desirable not to attempt any special training in business administration at the undergraduate stage. The leading English universities and also some of the leading American Schools of Business Administration including Harvard have taken this view. The post-graduate degree course in Business Administration should include Principles of Organisation and Management, Business Economics and the Economies of Growth, Management Accountancy and Statistics, Theory and Practice of Marketing and Finance, Labour Problems and Industrial Relations, Company Law and Administration, and the Social and Human Problems of modern industrial organisation. It is however not the nomenclature of the courses that matters. The contents of the courses, the methods of teaching, the calibre of the teachers, the character of the student body, and the atmosphere in which the students live and study are the factors which would influence the efficiency of teaching.

It is not easy to find suitable teachers for courses in Business Administration. While some senior business executives may have the necessary academic background and aptitude for teaching, they may not be able to spare sufficient time to conduct regular classes in the university. It will, therefore be necessary to depend upon the services of full-time university teachers, preferably of those who have had some practical experience of business or governmental administration or who have studied the subject in leading schools of Business Administration. With the co-operation of industry it would be highly desirable to arrange for close contacts between these teachers and experienced business executives. The latter should prove particularly useful in conducting occasional seminars or discussions on topics relating to their own fields of activity. The co-operation of teachers from leading foreign Business Schools—in some cases as visiting professors—should prove specially valuable.

Discussion based on case studies is perhaps the best method of instruction in a business school. However, the change-over to this method would require considerable time as well as money. While some of the cases prepared at the Harvard Business School could be usefully adopted in our country, a great deal of indigenous case studies will have to be carefully prepared before our universities can switch over to this method of instruction. The co-operation of business concerns both private and governmental will be particularly necessary in providing necessary facilities for collection of cases by university teachers. However, with necessary goodwill and mutual confidence, it should be possible for a team of experienced teachers to collect sufficient case material for various subjects within a period of about 3 to 5 years. Collection of cases will, of course, remain a continuing process so that changing conditions in business concerns may be suitably reflected in them. It may be mentioned that the Harvard Business School collects cases not only from American business and Government but also from firms and agencies operating in foreign countries.

The students for post-graduate courses in Business Administration have to be carefully selected. Only those whose previous academic record or experience in business concerns indicates a more than average ability should qualify for admissions. Some of them may be fresh graduates while others may possess some practical experience in business concerns. In course of time, business concerns may find it useful to send their 'probationers' or junior executives to attend these courses. For fresh graduates it should be highly useful to have a spell of practical experience during the summer vacation following the completion of first year course of post-graduate study. For this purpose too co-operation from economic enterprises in the private and public sectors will be needed. No preference need be shown for specialisation in any particular intellectual discipline even if it be Economics or Commerce. Suitable arrangements for residential facilities for these students are of special value. Their 'living together' and the resultant cross-fertilisation of brains will in itself be of great benefit to them.

The role of the university in the field of education for Business Administration need not be limited to the provision of a post-graduate course. It could prove helpful in a number of other ways. It would arrange for shorter but more advanced courses for business executives of 10-15 years' standing. It could also arrange for occasional 'Training Conferences' on sepcific topics for the benefit of busy business executives who may find it difficult to get away from their work for more than a week or a fortnight. Also one of the universities could serve as a centre for training of probationers for the proposed Industrial Management Service or the Economic and Industrial Wings of the Indian Administrative Service.

The formulation of courses in Schools of Business Administration would require close co-ordination with the courses offered by any post-graduate Schools of Public Administration, Administrative Staff College or by professional bodies in the fields of Business and Public Administration.

The development of such courses in Business Administration would in the immediate future be possible at a few selected centres only. The chief limiting factor may be the availability of suitable teachers. It is, however, necessary that at least one Institution of this type be immediately developed at a suitable university centre.

During the course of debate on the Company Law Amendment Bill in the Parliament, the Finance Minister is reported to have said that the Government wanted to establish an Institute of Business Administration on the lines of the Harvard Business School. It would be desirable to discuss the details of such an Institute in a conference of representatives of Government, Industry, and universities. The proposed institute may be the main centre for Education and Research in Business Administration and Industrial Economics. In view of the special needs regarding teachers, teaching materials, etc. that have already been pointed, it would be desirable to prepare a 'Five-Year Plan' for this Institute also. Let any sector of industry—public or private—take the lead in this direction. Perhaps the co-operation and 'technical help' of leading nations in this field would be readily forthcoming.

Management Studies and Training

By L. S. CHANDRAKANT

(Deputy Educational Adviser to the Government of India)

ON the recommendation of the All-India Council for Technical Education, the Government of India have decided to initiate and develop a programme of Management Studies in certain selected educational centres and to establish an Administrative Staff College in association with industry and commerce. The establishment of a National Management Organisation for the country is also under consideration. These represent the first positive and conscious steps taken by the Government to fill an important gap in the provision of facilities for management development in the country. Keen interest has been evinced in these schemes by industry and commerce and the general public. Scientific management which has been so much responsible for the American advancements in industry and commerce and for the reconstruction of the war-devastated economies of the European continent is thus at last reaching the Indian sub-continent.

REGIONAL CENTRES FOR MANAGEMENT EDUCATION

The programme of Management studies has been initiated in seven different centres selected on regional basis in order to meet the varying needs of the different industrial and commercial centres, and also to make each region, as far as possible, self-sufficient in respect of the required training facilities. The Indian Institute of Technology in Kharagpur and the All-India Institute of Social Welfare and Business Management in Calcutta will cater to the needs of the eastern region; the Victoria Jubilee Technical Institute in Bombay and the Bombay University School of Economics and Sociology will cater to the western region. The Indian Institute of Science in Bangalore, and the Department of Economics, Madras University, will look after the southern region; and the Delhi School of Economics will cater to the needs of the northern region. In close co-operation with representatives of industry and commerce and the appropriate educational authorities in their respective areas, each of these centres has made a good beginning in starting Management courses in the branches allotted to it. Courses in Business Management will be the main field of activity of the All-India Institute of Social Welfare and Business Management, the Delhi School of Economics, the School of Economics and Sociology, Bombay University, and the Department of Economics, Madras University. Industrial Administration and Industrial Engineering will be the concern of the Indian Institute of Technology, *Kharagpur, the Victoria Jubilee Technical Institute, Bombay, and the Indian Institute of Science, Bangalore,* which are essentially technological in character.

BOARD OF MANAGEMENT STUDIES

The whole scheme of Management Studies as also of the Administrative Staff College is based on the recommendation of the All-India Council for Technical Education which, as far back as 1948-49, considered the matter in great detail. The All-India Council set up an Expert Committee consisting of its different Boards of Technical Studies, representatives of industry and commerce, departments of Central Government and educational experts to examine the question of training in Industrial Administration and Business Management, and to suggest a national plan for development of facilities in these fields which might be readily initiated. The Committee was of the view that the subject of Management Studies having become in recent times vast and diversified, with each field tending to become more and more specialised, the usefulness of the courses of training will largely depend upon the extent to which industrial and commercial organisations in the country will benefit in the matter of training of their managerial personnel. The selection of the courses therefore, would have to be made on the basis of the existing pattern and structure of industry and commerce in the country, the nature and scope of employment of managerial personnel, the peculiar problems of the organisations and other related factors. The state of educational development in the country and the resources available for organising Management courses, the Committee considered, would also have to be taken into consideration while choosing the courses and determining the scope of training. For this purpose of organisation, development and co-ordination of Management Studies at a national level, the Committee recommended the establishment of a Board of Management Studies under the aegis of the All-India Council for Technical Education. A Board of Management Studies fully representative of all concerned interests, viz., commerce and industry, government departments, educational institutions and management experts has now been set up and now advises the All-India Council and the Government on all aspects of Management Studies.

MANAGEMENT—A LONG-TERM CONCEPT

Scientific Management is a long-term concept. According to its own genius, resources and requirements, the country has gradually to proceed towards the ideals and objectives of scientific management. Either in the matter of application of the philosophy of management to the industrial and commercial activity in the country or in the matter of training of the managerial personnel, it will not serve to follow blindly other countries where the philosophy of management originated and has been practised successfully for a long time. It will serve no useful purpose to produce in India a replica of the Harvard School of Business Administration or the Massachusetts Institute of of Technology or any other famous institution. We have gradually to imbibe the philosophy of scientific management and adapt it to our practical life having regard to our own peculiar socio-economic conditions, history and tradition. A change in the existing order of things is certainly necessary But the change should not be just for its own sake but for bringing into being something better and more useful. Adaptation rather than adoption of principles and techniques should be the prime consideration.

The Board of Management Studies has throughout its deliberations kept the above considerations foremost in view. The Board has proposed that so far as Management Studies are concerned, three distinct types of courses, viz., Business Management, Industrial Administration and Industrial Engineering should be provided. The type of persons who should be admitted to the courses and the centres where the courses might be developed were also carefully determined. The courses in Industrial Engineering and Industrial Administration are essentially meant for persons with appropriate technological background and industrial experience; the course in Business Management for persons with a commerce or economics background and business experience. The choice of the institutions for organising the courses further reflects the efforts made to adapt scientific management to the existing conditions of the country. The Industrial Administration and Industrial Engineering courses, because of the particular fields of management which they will emphasise in relation to industrial activity, are being organised in the institutions which are essentially technological in character. The Business Management course has been organised in institutions which have established a reputation for the study of economics and social sciences.

The courses will be mostly offered at this stage on part-time basis. This decision is based on the consideration that the immediate need is to train persons who are already in employment and such persons can take full advantage of the courses only on a part-time basis. There is also considerable difficulty in recruiting well-qualified experts to staff the institutions for a full-time course. On the other hand, for a part-time course, it should generally be possible—and experience has shown that it is so—to obtain the services of experts in industrial and commercial organisations. The participation of such experts in the courses will have the additional advantage of the courses not tending to become too academic in character unrelated to real situations.

ADMINISTRATIVE STAFF COLLEGE

The Administrative Staff College proposed to be established in Hyderabad will offer a three-month course in the principles and techniques of organisation, administration and leadership in civil life. It will also provide opportunities to young administrators from all walks of national life to meet and exchange ideas to their mutual advantage. Such association will be valuable not only for the "cross-fertilisation" of ideas and techniques among them, but also as a means of promoting better understanding among those in charge of administration in different spheres of national activity. The Staff College will be a national institution, fully independent and without any affiliations while receiving the support of the public and the Government alike.

As industrial and commercial enterprises as well as the activities of the Government become increasingly widespread and complex, the administrators in charge are required to show a capacity "to hold in mind a total and perhaps distant situation, to plan ahead imaginatively and firmly and yet with the necessary margins, to assemble in the right relation and at the right time diverse material and human resources, to take consistent decisions on points of detail and in turn to see that their junior executives in their several spheres know how to do the same." In short, every large enterprise calls for the constructive skill and technique of leadership, policy making and planning which are not simply gifts af nature. Training is necessary.

The constant changes in the spheres of business and Government also demand a closer appreciation of the outlook and problems of both private enterprise and and the public services on the part of the persons who are in charge of them. In the interests of the country's development, their relations and mutual understanding should be improved. Opportunities should be provided for the two main categories of administrators—the officers of the private and the public services to meet and understand the very difficult situations, in which they are placed, and the different responsibilities which they carry so that each may acquire, so far as may be, the characteristic virtues of the other and shed his own characteristic defects. They are at present laboriously and inadequately acquired by individuals by a process of trial and error. The Administrative Staff College lays emphasis upon bringing the work of a team to good effect, and upon the basic fact that those who are called upon to do this will be drawn from different apprenticeships. The task is to make a co-ordinated group out of individual specialists. It is one that grows with each further step in technological development. What the Administrative Staff College hopes to do is to bring together young administrators from all walks of national life at an age when their views are formed but not fixed, to provide for the exchange of ideas to mutual advantage and to promote better understanding between them. It must, however, be emphasised that the College has no concern with preparatory training. Its constituency is among men and women already experts but needing the opportunity to reflect, to compare notes and to equip themselves more fully for their services.

NATIONAL ORGANISATION FOR MANAGEMENT

The chief contribution of a National Management Body is its continuing influence in raising the standards of management throughout the country and maintaining these at a high level. The country has committed itself to raising the standard of living of the people as rapidly as possible through expansion of activities both in the public and in the private sectors. These activities can only achieve their objective to the extent that they are well managed. While there is considerable evidence of good management in certain fields of activity, the country has so far lacked organised facilities for development of scientific management. This void can only be adequately filled by a National Management Body which will set for itself the task of promoting progressive development of scientific management. Working with all other management organisations, it can consistently develop ideas and means for strengthening and utilising such facilities. It can establish its branches in the various parts of the country, organise conferences both regional and national, on Management, maintain a library of Management literature and encourage preparation, publication and circulation of books, papers, results of specific studies, conference proceedings, periodicals, films and visual aids which contribute to the understanding of management practice and techniques and current developments in this sphere; provide a well-equipped information bureau and give lead to management research. A plan for the establishment of a National Management body on these lines has been finalised and is awaiting the final consideration of a representative committee of industrialists, business men, labour leaders and the Central Government. Regional Management organisations have already been established in Bangalore, Bombay, Hyderabad, Delhi, Coimbatore, etc., and have become active centres of Management movement in their respective areas. Thus, the seeds of scientific management have been sown.

TRAINING IN FOREMANSHIP AND SUPERVISION

In any scheme of Management development with particular reference to industry, one cannot by-pass the Foreman and the Supervisor. The Foreman has been variously described as "the Sergeant Major of Industry", "the man who is in the first rung of the management ladder". Modern industrial organisations rendered by necessary competition both within the country and outside, to say nothing of the effects of modern legislation, have all thrown an increasing burden on the Foreman. The Foreman today is required to be an expert craftsman and a leader of men—two qualities which have become necessary more than ever before. In addition, his position as a junior executive calls for a thorough working knowledge of the firm of whose organisation he is a vital part. He is in daily contact with the Production Engineer, the Production Controller, the Estimators, the Rate Officers, the Time and Motion Study Engineers, with the personnel, Wages and Costs Departments and a host of others. If he is to co-operate fully and intelligently with these experts—and this should be his aim—he must know something of their organisation and methods and why and how they can be of some service to himself and he to them. It is therefore in the fitness of things that a programme of Training in Foremanship and Supervision should be initiated and developed on a large scale in order to condition and equip the persons on whom the success of the industrial enterprises will largely depend. An appropriate step in this direction has been taken by the Board of Management Studies by preparing a national programme for the purpose which aims at the creation of a net-work of facilities for training in foremanship and supervision distributed over the whole country.

Notes on Management Practice and Training

BRITISH TRAINING SCHEMES

THE problem of finding the right business executive in a commercial organisation is not new. It is now recognised that what is of more importance in the growth of a manager are 'certain characteristics of personality, a certain habit of mind and method of approach to problems and an acquaintance with certain fields of generalised knowledge and with certain techniques used in the actual process of managing'. This necessarily involves passing through a few stages for building a successful career and industry needs to rely increasingly on securing a high quality intake of youth and on putting their abilities to the best possible use. Towards this end, it has been found appropriate to impart courses, which may be part-time, in industrial administration. This form of training is of comparatively recent origin and may be said to be proving useful. The courses are of a wide range and variety. In England, following the 'Urwick Report' of 1946, some 80 technical schools and colleges, spread over the whole country, have been set up under the joint administration of the Ministry of Education and the British Institute of Management. Among the more important institutions conducting management studies are the London School of Economics, the Manchester College of Science and Technology, the Administrative Staff College, the Harvard School of Business Administration and the Executive Development Course of the British Institute of Management.

In order that persons already in responsible positions and qualified for promotion could meet to exchange experience and ideas, the Administrative Staff College was set up at Henley-on-Thames, which held its first session in 1948. This college is in many respects akin to the Advanced Management Programme at the Harvard School of Business Administration and the Executive Development Course. This course and the Henley course are both residential and students work in small groups. Lectures, syndicate work on projects and directed individual reading are the main methods of teaching.

There are, however, some variations between the Henley and the Harvard Institutions in their methods and size. Against Harvard's two sessions a year, each taking around 170 students, Henley conducts three sessions of 60 members each, who are, on an average, slightly low in status and age than those at Harvard. While the method of training at Harvard is generally that as used at lower ages, Henley, because of its being free from academic traditions, has adopted the course and methods of study uniquely designed for their particular purpose. Of the sixty places at the Administrative Staff College at Henley, six are available for candidates from other countries. Since its inception, nearly 1000 persons have attended the college which has more or less crossed the experimental stage and is now well-established as an institution with considerable responsibilities in the national life of England.

The School of Commerce also runs courses in management and administration. The School freely consults the firms from which it draws trainees and also maintains contact with local firms and factories through advice sought and given on the best courses for trainees and through consultation with progressive firms regarding their internal training schemes.

Besides, there are some other institutions which conduct short irregular courses. For example, the Somerset Education Committee recently held a brief residential course on the techniques of cost control and management accounting. In November-December this year, the City of London College is conducting a special course of six lectures on modern developments in office management to cater to the needs of small and medium sized firms.

In Glasgow, the Royal Technical College was formally opened in October last as a centre for management studies. This has been described as a development of the utmost significance in Scottish industrial history. Applications for admission to the centre had been received from far off countries like South Africa and Chile. The centre has a total capacity to take 60 students out of which 30 have been enrolled so far.

AMERICAN EXPERIMENT IN MANAGEMENT TRAINING

THERE are probably more than 300 institutions of college grade offering some sort of training in business administration in the United States. Of these about 120 are formally organized as autonomous units within their Universities; somewhat more than sixty are members of the Association. This small number implies no exclusionist policy on the part of the Association. Non-members are welcome at meetings and receive all studies made by the Association. Experienced deans sometimes work for years assisting newer institutions to achieve the desired level of performance.

The drift has been strongly away from "Commerce" to Business Administration. The increasing size of business units in both production and distribution, the application of statistical controls to production processes, wider use of research of many varieties, the changing size and character of union organisations, the explicit acceptance of community responsibility by business men, the recognition of the importance of the specifically human element as distinct from the purely monetary, have all combined to demand a man not only with a practical outlook but with an education as well. Modern business based on very large volume at narrow margins requires greater ability and understanding than is required for merely taking a wide margin on an occasional quick turnover.

The schools of business administration have met that need and prospered in doing so. The curriculum at present approved requires 40 per cent business subjects of definitely University level, 40 per cent traditional liberal and cultural subjects, and 20 per cent economics which is acceptable as both. The place of the schools in the Universities is assured and their Bachelor of Science degree accepted as full-bodied academic currency backed by an education.

Perhaps the clearest accomplishment of the Schools of Business Administration has been in a quite unexpected area. Harvard, a great leader in the movement for education in business administration, has, perhaps, done the best work, but so in different ways have schools like Illinois and Cornell. Harvard with the others has done first class work in the analysis of what a worker expects of a job and how the companies have failed to give it to him. The problem is not purely economic and it is not purely psychological or sociological. The problem is one of real business administration requiring a knowledge of business and economic principle, policy and practice and requiring humanistic discipline as well. Class conflict a la Marx scarcely exists in the United States. There was no real reason why the apparent Oppositions should not be reconciled and integrated. America has not achieved a utopia of

industrial relations but the wisdom of the analysis of group behaviour emanating from the schools of business administration was so apparent that employers and employees alike have listened with unaccustomed humility. Part of this success was certainly due to the fact that American business, large and small, and unions in their central research organisations now have graduates of business administration who were prepared to appreciate such work. These results could not have been accomplished by any group from an arts college, by any group of physical scientists or by any one skilled only in "Commerce".

COLGATE AND THE BARUCH SCHOOL

IN the Colgate University, a practical approach in Business Administration is provided by assigning each student a commercial, industrial or business operation. The day is spent on various jobs, studying at first hand the problems of management and labour, of production and distribution and late in the afternoon there is a group meeting in a seminar to exchange experience and discuss problems. After a full term there is a return to the college for further academic works. The pioneer in the field of Business and Public Administration was, however, the Bernard M. Baruch School of New York's City College. What is particularly important at the City College is that the specialized instruction takes up only part of the curriculum. A certain amount of education in the arts, humanities, social sciences and natural sciences is included in the programme in order to make sure that the graduate is educated as well as trained. Special courses in industrial psychology are also offered.

ACTIVITIES OF THE AMA

THE American Management Association furnishes its members with a continuous programme of "education by management for management" In other words, it is "a co-operative organisation of business men, government officials, consultants, college instructors and other professionals who are interested in the development of better management methods." It offers a meeting place for the exchange of ideas, information, case histories and opinions, and brings other minds to bear on practical solutions to specific business problems. The AMA is organized into 8 divisions: Personnel, Manufacturing, Office Management, Insurance, Marketing, Finance, General Management, and Packaging. It carries on its various programmes through conferences, workshop seminars, training courses, expositions, publications (including 3 business magazines) and research. A unique feature, particularly of the conferences and workshops, where several executives are working together, is that there is no holding back of ideas, or consideration of competitive advantage in the interchange.

CHIPS OF OLD MANAGERIAL BLOCKS

THROUGH Junior Achievement, Inc., a non-profit organization in the United States, student members between the ages of 15 and 21 learn practical business techniques by forming and operating miniature corporations, guided by adult advisers. First, the members decide on a product or service which they can sell. Then they enact the legal steps of incorporation and capitalize by selling stock publicly. Next, they buy the needed material and tools and get into production. All serve at the same time as board members, workers and stock holders. Throughout the United States, Achievers are casting, moulding, joining, polishing, painting as they turn out everything from lamps to pot-holders, from ironing boards to radios. Each year they contribute to the total volume of production and carry home a well deserved part of the profits. Although the profits are important, practical acquaintance with all phases of the world of business commands first place in the goals of the organisation. At the end of the business year, the companies write up and publish complete financial reports. At this time, too, dividends are paid to stock holders and many a company manages to pay 10 per cent on the share—an impressive yield in any market. About 70 per cent of the Junior companies do realize a profit and 20 per cent break even a very high percentage of success. In 1948, the organisation had companies in 43 communities, in eastern and mid-west states.

AN INDUSTRIAL ECONOMICS RESEARCH INSTITUTE FOR INDIA?

WITH a view to assisting both the Government and private firms in the industrialisation of India by carrying on applied economics research, an Industrial Economics Research Institute of India (IERII) has been proposed. The field of activity of the IERII would be to bring scientific methods of investigation to bear on practical problems of government and of industrial management. The Institute would derive income largely from research clients, including government agencies and private firms, though in the initial stages it may need subsidies in the form of direct or indirect contributions. It would be under the general direction of a Board of Directors representing government departments, important private industrialists and other useful organisations.

As for the initial projects that the Institute may undertake and the necessary staff requirements, plans can be formulated in two ways. One way would be first to draw up a list of departments of various kinds of research, select the staff and then try to find out the projects that may be taken up. The second, and perhaps a better, way would be the other way about, i.e., first decide upon the projects to be taken in hand and subsequently staff the Institute accordingly. It might be desirable to approach some private firms at an early stage of planning the Institute to find out what types of research would interest them and ascertain some projects that they would possibly contract for. As the work progresses, additional staff requirements can be fulfilled, always keeping in view the acquisition of services of persons with wide experience and talent in industrial economics research who would be useful in conducting research in different types of problems.

In order that full advantage may be derived of the experience already gained in other countries like the U.S.A. in this relatively new art, it should be advisable to learn the "tricks of the trade" by observation and consultation. In this connection it is possible to make arrangements with the Stanford Research Institute (SRI) whereby senior members of the IERII could visit the SRI, and the SRI could send out, for a limited time, a few of the members of its Economics Research Division, including one who would be familiar with management problems. The two institutes can co-operate in investigating and tapping the best sources of information and experience related to the questions concerning India's industrialisation. Through co-operation, the two institutes would be facilitated in widening the sphere of their activities and execute contracts which would otherwise be difficult to accept or undertake.

The idea can be further extended to set up an International Economic Development Unit in co-operation with similar institutes in other countries. Such a unit would, in course of time, develop a programme for disseminating information and experience, by means

of a series of leaflets or brochures which would, in effect, become a sort of encyclopaedia of international comparative data on economic development and methods to achieve that.

A tentative list of projects, which deserve the highest priority in the initial programme of the IERII and the international co-operative programme, has been drawn up which broadly includes Export Expansion, Industrial Co-operatives, Attracting outside Capital, Technological Change and Unemployment, Small-Scale Vs. Large-Scale Industries, Industrial Growth in Private Sector and New Techniques of Industrial Planning.

OFFICE MANAGEMENT

BROADLY, office management is the application of industrial engineering-techniques to office work in order to introduce a scientific system into that side of an undertaking in which little proper system has prevailed for long. The programme of establishing a well-founded office system can be divided into and worked under the following heads: (i) Office Layout, (ii) Records Management; (iii) Office Equipment and (iv) Paperwork Cost Controls.

A proper Office Layout produces tangible results in the form of reduced space costs, greater productivity and improved employee relations. A good arrangement of personnel, desks, lighting, ventilation, working temperature, calm atmosphere, etc., reduces the time to complete a unit of work, increases job satisfaction and reduces the amount of sick leave. The basic considerations are to locate related departments close to one another and allow direct and continuous work to flow.

Records Management involves scientific control of the creation, maintenance and disposal of records by transferring to storage or destroying. Effective control ensures increase in the efficiency of records as a tool of management, reduces cost of filing space, equipment, etc., safeguards essential records which can prove to be invaluable source of business experience to be drawn upon when needed. According to the surveys conducted by the National Records Management Council, roughly 34 per cent of the records is unimportant and can safely be destroyed to reduce maintenance costs, 20 per cent can be transferred to the storage and the remaining 46 per cent filed in office equipment and space for purposes of ready reference. Control over quality of records is a method of estimating the accuracy of a large-scale repetitive operation. The procedure is to determine the current quality level of operation by using available statistics on errors, checking a random sample of completed work or a given segment thereof. The management at all levels jointly determines the quality goal of the work, sampling plans, points of checking, control charts, inspection personnel, etc. Thus, quality control indicates types and reasons for errors to enable corrective action to be taken where quality falls below the established standards.

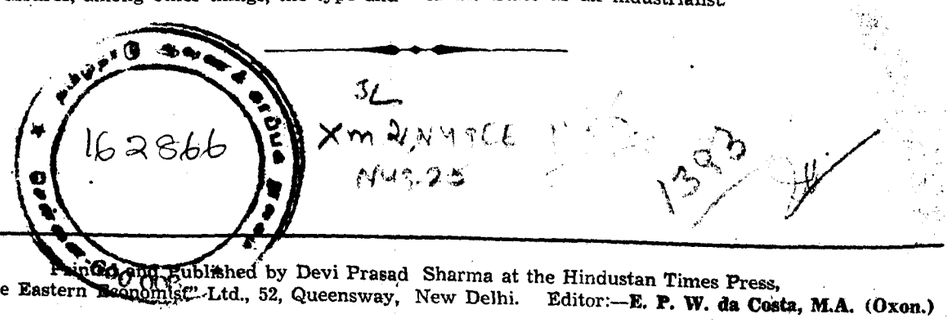
For Office Equipment, standardization is useful inasmuch as it assures, among other things, the type and quality of goods constantly required and obtains quantity discounts on long-term purchase contracts. Paperwork Control programmes range from training courses for supervisors to the measurement of clerical operations.

ROLE OF THE SOVIET WORKS MANAGER

IT is interesting to have an idea of the peculiar role that the works manager plays in the industrial economy of Soviet Russia. Since 1928, when the Soviet Union embarked on a vigorous programme of industrialisation, the place of the private entrepreneur has been taken by the factory or works manager. The forms of organisations under which he operates are quite different from those of his capitalist counterpart. First of all, he is a servant of the State, ultimately responsible to his Ministry. He has to be capable of getting more out of his workers than any capitalist entrepreneur, and of conjuring supplies out of the greatest sellers' market known to history. Mr. Jacob Miller, in his "Introduction to Soviet Russia", observes that the works manager "has to be brazen, diplomatic, threatening and cringing, as occasion required, to the local branch of the State Bank, to the technicians, politicians and organisers at the Ministry, to the legal authorities and to the political police."

The Soviet works manager is a tactful go-between between the worker and the State. Anually, a collective agreement is "negotiated" by the trade union branch along general lines agreed between the union national executive and the Ministry. The negotiated parts of the agreement comprise obligations undertaken by both the workers and the management. Wage negotiations are, however, illegal arrangements, not written down in the agreement. If the number of men is so large in a factory that the managers' wages fund will be substantially exceeded by upgrading, the works manager will, in return, get the trade union to promise improved output. But a strong trade union branch can make a manager spend more money on housing and other amenities than is earmarked by higher authority.

Obviously, a works manager under such a set-up has to be ruthless in his efficiency and, at the same time, assume the air of a man of the people. He symbolises the Russian "middle class", but he is regarded as a near-kinsman to the Russian ex-peasant capitalist and viewed with the deepest suspicion and awe by the public. In turn, he views with suspicion his own immediate boss—the senior secretary of the Province party committee. In addition to the inside of his factory, the works manager is responsible for all its external relations. On the business side, these are normally summed up in the Plan. Planning in Russia was born on the political side of the revolutionary movement and combined a number of sources—the working class's necessity to run industrialisation itself, the practical ideas of technical leaders, the tradition of the State as an industrialist.


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